The Church of England
Pensions Board

Annual Report 2010

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Further copies of this report may be obtained from the above address.

Relevant sections of this report have been prepared in accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 and the accounts in accordance with Sections 41(1) and (6) of the Pensions Act 1995

The Board is a Registered Charity No 236627. The Board is registered with the Financial Services Authority No 441548

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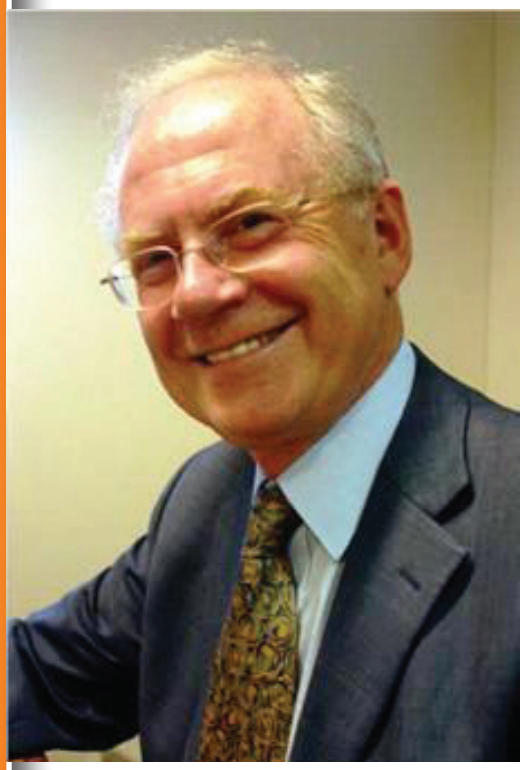
Our Mission

Our mission is to administer efficiently the pensions, housing, retirement home schemes and charitable funds entrusted to us to provide the best possible support and care to those who have retired from stipendiary and lay ministry within the Church of England and their dependants

The principal powers and responsibilities of the Board, first established in 1926, can be summarised as follows:

- **to act as administrator of the clergy pensions scheme and trustee of the fund providing benefits in respect of service from 1 January 1998**
- **to act as trustee and administrator of the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund and the Church Administrators Pension Fund**
- **to administer the Church's retirement housing schemes**
- **to act as trustee of two charitable funds providing:**
  - **housing assistance, supported accommodation and nursing home care for retired clergy, widow(er)s, deaconesses and licensed lay workers**
  - **discretionary augmentation grants for beneficiaries on low incomes**
- **to act as administrator under the Ordination of Women (Financial Provisions) Measure**



Chairman's Statement

2010 was a challenging and busy year for the Board, in which we carried forward to a satisfactory conclusion a number of the decisions taken in 2009 in relation to our pension and charitable responsibilities.

Early in 2010, the proposed changes to the benefits package of our largest pension scheme, providing retirement benefits to clergy and their dependants, were approved in principle by the General Synod following a full debate. The Synod also approved a private member's motion which sought to extend the pension entitlements for civil partners of retired clergy.

Following this approval of the changes, an extensive consultation exercise was carried out; all 9000 active members of the Scheme were provided with a personal illustration of how the proposed changes affected them individually. An amended benefits package returned to the General Synod in July and was approved. The changes included contracting the scheme into the State Second Pension, extending the pension age for future service to 68, increasing the period necessary to earn a full pension and capping future increases in the pensionable stipend to retail price inflation.

Late in the year we concluded the actuarial valuation of the scheme which confirmed that the deficit had risen from £140m as at 31 December 2006 to £262m as at 31 December 2009. By implementing the changes to the benefits package and through amending the scheme's investment strategy, we were able to set a contribution rate which remained affordable to the Church and should also be more resilient against turbulence in the investment markets. Whilst the scheme remains a defined benefit arrangement, we are participating in further work with the Archbishops' Council and the Church Commissioners which is exploring the options for the possible introduction of a hybrid scheme should the scheme come under further financial pressure. The Task Group will be reporting to the Archbishops' Council on this work during the course of 2011.

In last year's report I highlighted the proposed changes to one of our smaller schemes, the defined benefits section of the Church Administrators Pension Fund which provides pensions for staff of the National Church Institutions. These changes included contracting the scheme into the State Second Pension, replacing the final salary arrangement with one based on career average earnings, and with future service being on the basis of a pension only with the option for members to commute part into a lump sum. The actuarial valuation exercise as at 31 December 2008 was concluded by the Board in the first half of the year and the benefit changes for future service took effect on 1 July 2010.

With assistance from our consulting actuaries, Lane Clark & Peacock, and our investment advisers, Mercers, we continue to diversify our return-seeking investments to spread risk. During the year we increased our exposure to investment in property funds. To assist us in doing this effectively, we appointed CBREI to manage our property fund portfolio, in succession to DTZ Tie Leung.

A substantial amount of work was carried out in 2009 to find the best option for financing CHARM, the Board's scheme for providing retirement housing for clergy, from July 2010 when the Church Commissioners ceased their support for funding. This was brought to a satisfactory conclusion in the first half of the year with the assistance of Traderisks, our corporate finance advisers, and much hard work from the staff. We met our aim to provide a seamless transition by entering into a £50m funding arrangement with Santander Bank from 1 July 2010. We

also concluded negotiations with the Sanctuary Housing Association to out-source all repairs, maintenance and improvement works on the rental section of the CHARM scheme with effect from 1 January 2011. This will provide the occupants concerned with a service which is available 24 hours a day, 365 days a year.

Our supported housing and nursing home operations continue to be popular with the level of vacancies consistently falling. They continue though to be subsidised through donations from our charitable funds, and we continue to review the service offered to our residents to ensure that the provision remains sustainable in the long term. During the year, two of our schemes changed their emergency night-cover arrangements with the service now provided by local specialist call centres. A consultation was carried out at the two schemes where we listened carefully to residents' concerns about the changes and sought to allay any fears that they may have.

It was with great sadness that we learnt in August of the death of my predecessor, Allan Bridgewater. Allan was Chairman of the Board for 11 years and had steered it through the early years of the funded clergy pension scheme, and the formation of the National Church Institutions. In recognition of his service, our first specialist dementia care unit was named "The Allan Bridgewater Wing". The seven-bed unit, created within Manormead Nursing Home, was officially opened in December.

Finally, I must pay tribute to the work of our Secretary and Chief Executive, Shaun Farrell who retired at the end of March 2011. Shaun had been on the staff of the National Church Institutions for over forty years, and led the staff of the Board since 2004. Board members and staff were delighted that this service was recognised by Her Majesty the Queen during the year, when he became an Officer of the Order of the British Empire.

We welcome his successor, Bernadette Kenny, who took up the post on 3 May 2011.

We also said farewell to Tim Hind, Vice Chairman of the Board, on his election as Vice Chairman of the House of Laity in the General Synod. His wise counsel will also be missed.

Whilst 2010 was a challenging year, I expect 2011 to be a year of consolidation. During 2011, we will focus on the changes already implemented to ensure that we continue to assist the Church's mission and ministry through the provision of a professional and high quality service.

Jonathan Spencer
Chairman

The Church of England Pensions Board …

- Administers pension schemes with over 32,000 members for over 250 sponsoring employers
- Provides almost 3,000 retired clergy households with retirement accommodation through the CHARM scheme
- Supports and maintains seven Christian retirement communities through its network of supported housing schemes
- Provides 24 hour nursing care to the more frail and needy retired clergy at our Manormead Nursing Home
- Provides specialist dementia care in the Allan Bridgewater Wing at Manormead Nursing Home
- Manages funds totalling over £1 billion

Organisation and Governance

The twenty members of the Board represent a balance of skills and expertise and are drawn from a wide range of constituencies. Only four of the members are appointed, with the remainder elected for a six-year term by the employers and members of the pension schemes, and by members of the General Synod. The majority of members also serve on one or more of the Board's three sub-committees. The Board can co-opt others who bring a particular expertise to serve on its committees.

The names of members of the Board for the period 1 January 2010 to 27 June 2011 are set out at the back of this report. The Board met five times throughout 2010. Members' attendance at Board and Committee meetings during 2010 is shown below.

	Board (5)	Audit (4)	Housing (4)	Investments (6)
Board Members				
Dr Jonathan Spencer CB (Chairman)	5			
Tim Hind FCII (Vice Chairman)	4			
The Rt Revd David Walker, Bishop of Dudley (Deputy Vice Chairman)	4		4	
James Archer ACA	5	3*		
The Ven Peter Ballard (to 24 June 2010)				
Simon Baynes	4			4*
The Revd Richard Billinghurst FIA	2	4		
The Revd Paul Boughton ACA	5			2*
The Revd Nigel Bourne	5		4	
Dr Graham Campbell FCA	4	3		
Ian Clark	4			6
John Ferguson	5		3*	
Alan Fletcher FCII	4		4	4
Canon David Froude ACIB	4	2*		
Clive Hawkins	4			6
Canon Harry Marsh	4	4		
Canon Sandra Newton	5		3*	
Peter Parker TD FIA	5			6
Colin Peters	2			5
Phil Hamlyn Williams FCA	4	4	4	
* includes attendance as a speaking observer				
Co-opted Members				
Ian Bate (from 19 April 2010)			2	
Debbie Clarke				4
Jane Clarke			1	
Jon Head (from 19 April 2010)			3	
Mark Powell				5

The Investment Committee, chaired by Clive Hawkins, supervises the Board's investment fund managers and implements the investment policy set by the Board. It has the power to select, review and deselect, where appropriate, investment managers and the custodian. It also monitors investment performance and compliance with the Board's ethical investment policy. In 2010 it met six times; additionally, it also held a training event for its members and advisers.

The Housing Committee, chaired by the Rt Rev David Walker, oversees the operation of the CHARM housing scheme and the supported housing schemes. In 2010 it met four times. During the year, the Board co-opted onto the Committee two housing specialists, Jon Head, of Hanover Housing Association, and Ian Bate, of the National Housing Federation, to complement the expertise of the existing members.

The Audit Committee, chaired by Phil Hamlyn Williams, monitors the integrity of the Board's financial statements, reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process. It also reviews the Board's internal control and risk management systems, and monitors and reviews the effectiveness of the internal audit function. During 2010, it met four times. At the end of the year, the Board co-opted David Hunt, a recently retired audit partner with Smith & Williamson, to serve on the Committee with effect from 1 January 2011.

Risk Management

Our policy and management frameworks aim to limit the level of risk in the conduct of our business. In 2010, the major risks facing the Board were reviewed and updated by the senior staff and the Audit Committee and subsequently by the Board. They were satisfied that suitable control systems remain in place. The Board also places reliance on the control systems applicable to those shared service departments managed by the other National Church Institutions.

In 2010, our management of risk was strengthened by recruitment to a newly created post of Director of Risk Management and Internal Audit for the National Church Institutions. Michael Cole was appointed to the role in the autumn and has been further developing the risk management framework within the Board and the other National Church Institutions.

At staff level, the Board's Secretariat keeps the risk register updated and ensures the timely review of key business risks by the relevant trustee body. Key risks, external to and within our organisation, are identified by area of business activity. General risks relate to the operational ability to carry out our business and include the loss of key staff, the underperformance of staff and disruption to the use of Church House. Within Finance, the risks include the failure of systems to deliver our core financial requirements, fraud, and the placing of contracts which expose the Board to unacceptable conditions or liabilities. We also recognise and review in this area the risks faced from various specialist activities including the unitisation of our investment pool, and our treasury management requirements.

The Board manages around £1bn of assets. These underpin our activities in pensions and housing, and we identify and carefully monitor the associated risks. These include not only the underperformance of these assets which would inhibit the Board from fulfilling its mission, but also compliance with ethical policies and the risk of fraud carried out by our fund managers.

In the operation and administration of the various pension schemes, we pay close attention to the risks identified not only to ensure that we operate correctly within the regulatory environment, but also importantly that the pension benefits are not miscalculated, and that the appropriate contributions are received from employers.

With the refinancing of our CHARM scheme, we face additional potential risks from a number of external, economic factors including house price inflation and interest rate changes. This is in addition to risks faced through the general operation of CHARM and our supported housing schemes.

Risks are identified and graded by likelihood and impact; remedial and mitigation measures are set out, and the resulting residual risk assessed. Mitigation measures can include segregation of duties, clear policies being in place, and the use of systems with inbuilt, tested and appropriate control mechanisms. Where mitigation does not bring the risk down to a low ranking, consideration is given as to what action can be taken, if any. Risks are assigned to senior staff to manage.

We regularly review the appointment of our professional advisers. We have a five year business plan which sets out a rolling programme of reviews. In 2010 the external audit appointment and the appointment of several investment fund managers were reviewed.

Board Membership

New Board members receive an induction into the work and practices of the organisation. All receive a copy of our handbook which outlines their responsibilities and includes copies of the rules and other documentation for each pension scheme, and policies relating to the provision and operation of retirement housing assistance.

The Board corporately receives regular training sessions at its meetings and in 2010 held its first residential meeting. The event, held at Hitchin Priory, provided Board members with an opportunity to spend time reflecting on their duties and learning from industry experts, as well as conducting the formal business of the Board. Eighteen members of the Board have completed either fully or partially the Pensions Regulator's Trustee Toolkit, or an equivalent qualification.

Elected members serve for a six-year term with elections held for 16 of the positions on a rolling basis every two years.

During 2010, we said farewell to the Ven Peter Ballard who stepped down from the Board. He had also served on the Board's housing committee. In early 2011, our Vice Chairman, Tim Hind, was elected as Vice Chairman of the General Synod's House of Laity. As an ex-officio member of the Archbishops' Council, he was required to step down from his responsibilities with the Board. We thank them both for their contribution to the Board's work.

In August we sadly learned of the death of Allan Bridgewater, our former Chairman, after a long illness. He had been appointed Chairman of the newly constituted Board in 1998, a position he held for eleven years. Board members and staff remembered him with great affection.

At the start of the year, we welcomed Simon Baynes, the Revd Paul Boughton, John Ferguson and Canon Sandra Newton who were elected in December 2009 to serve on the Board until December 2015. All of them have brought fresh skills and experience to the Board and its committees.

Early in 2011, Brian Wilson and the Revd Paul Benfield were elected to fill the two casual vacancies which arose in the membership of the Board; both were elected to serve until December 2011.

Staff and Administration

The number of staff for whom the Board is the managing employer was 65 at the end of the year (61 at the end of 2009). In addition we employ 184 full and part-time staff at our supporting housing schemes, including managers, nurses, activities staff and gardeners. We draw on shared services such as information technology, records management and financial accounting provided by the Church Commissioners, and legal, communications and human resources provided by the Archbishops' Council. The Board manages the Internal Audit shared service.

In October Shaun Farrell, Secretary and Chief Executive of the Board, announced his intention to retire in early 2011. He has been in post since 2004 and completed over forty years service with the National Church Institutions.

Kim Parry, the Head of Internal Audit, retired during the year, after completing over ten years service, as did Stuart Froment, the Housing Compliance Manager, having completed over thirty years service. Maureen McFarlane (25 years service), Tom Nanson (20 years service) and Clare Stokes (20 years service) left the staff early in 2011.

Fifteen staff undertook sponsored studies for essential job qualifications and career development. Staff also took part in training courses on a variety of topics including management development, fair selection interviewing, equal opportunities awareness and a range of health and safety related matters. They also had access to an "e-learning" facility and completed a number of courses through that means.

IT Systems

The use of SAP by the Board, and the other National Church Institutions, has continued to be refined over the course of 2010. The system provides a shared financial platform across all the institutions, and underpins the work carried out by our housing department where SAP is also used as their main property database and management system.

Investment Management and Policy

The Board administers a number of pension schemes and the assets of these schemes are pooled for investment purposes. This allows the smaller schemes to access economies of scale and investment opportunities that might not be available to them otherwise. The shares in the pooled funds attributable to each pension scheme are established on a unitised basis every month.

For the pension funds, the Board operates a "Return-Seeking" pool, comprising equities, property unit trusts, active currency, corporate bonds and cash; and a "Liability-Matching" pool, consisting mostly of UK Government bonds. Detailed commentary on the performance of these pools is set out below.

The Board's charitable funds are managed by CCLA Investment Management through holdings in the CBF Church of England Investment Fund, which is a common investment fund established by the Church Funds Investment Measure 1958.

Market Commentary

2010 was a good year for investors, with all broad asset classes generating positive returns. This was against a backdrop in which price inflation, global trade imbalances, sovereign debt concerns and political unrest were the dominant economic and political issues.

As well as the price inflation introduced by Government policy in some developed economies, the prices of many hard and soft commodities rose sharply. Wheat rose in price by 47% over the year, propelled by a disastrous harvest in Russia and flooding in Pakistan and Australia. Copper reached record highs and crude oil moved to nearly $80 a barrel, as demand rose and inventories declined.

Fiscal tightening combined with monetary easing was a feature in many developed economies, the latter manifesting itself in different ways in different countries; a full blown second round of quantitative easing (QE2) in the US, but in the UK a refusal to raise interest rates in the face of rising inflation.

Debt crises emerged in Greece and Ireland during the year, with fears remaining about the strength of Portugal, Spain and Italy. There was also considerable political unrest in North Africa and the Middle East towards the end of the year.

This was an uncertain background, but, generally speaking, financial results from companies beat expectations, and analysts' forecasts for future corporate profits were raised through the year, which supported a positive environment for equity investing.

Global equities returned 16.3% over the year in Sterling terms, although there was a wide dispersion between regions. Emerging markets and the developed Asian economies (excluding Japan) produced the best Sterling returns, with gains of 22.9% and 23.7% respectively. At the other end of the spectrum, non-UK European equities returned just 5.8% over the year for Sterling investors, with Eurozone equity markets particularly hampered by concerns over sovereign debt and the depreciation of the Euro.

Property built on its positive trend that had begun to emerge in the second half of 2009, returning 14.5% in the UK over the course of 2010. Other alternative investment classes, such as commodities, emerging market debt and private equity also produced similarly good returns over the year.

Bonds markets were strong too. Government backed index-linked issues performed better than nominal bonds as the demand for inflation protection from pension funds

remained strong. In the UK, the Government All Stocks index rose 7.2%, but the Over 5 year Government Index Linked Gilts index rose 9.1% over the course of 2010.

Moves in the value of Sterling were generally more subdued over 2010 than they were in 2009, though its depreciation against the Yen was significant, 15.5% over the year. This decline in the currency turned a 1% gain in the Nikkei for local investors into a return for Sterling investors of over 16%.

Investment management

The management of the Return-Seeking Pool, valued at just under £1bn at 31 December 2010, is split between five managers running seven mandates in total:

- Auriel Capital Management, for an investment in one of its pooled active currency funds
- CB Richard Ellis Investors (CBREI) for a portfolio of UK and Overseas property unit trusts
- GMO (UK) Ltd for two portfolios, one for UK equities and one for Overseas equities
- Legal & General Assurance (Pensions Management) Limited for a passively managed UK equity portfolio and a pooled investment in corporate bonds
- RCM (UK) Ltd for an Overseas equity portfolio

A change in management arrangements was made during the year, with CBREI taking over the portfolio of UK property unit trusts managed by DTZ. At the same time, the Return Seeking Pool's target allocation to property was increased from 5% to 10% of its assets. Additional funds were passed to CBREI during the year and as it finds suitable investments more will pass during 2011. The property mandate was also broadened to include an allocation to non-UK property funds of up to 25% of the portfolio.

As mentioned in last year's annual report, the Board implemented a passive currency hedging programme at the start of January 2010. This covers half of the Return Seeking Pool's exposure to the Euro, Yen and US Dollar with the objective of reducing the risk associated with changes in the value of Sterling. During the year a net cash outflow of £3.3m arose from the hedging programme, which was due to Sterling's weakness relative to that basket of hedged currencies. This outflow though was more than offset by the corresponding rise in the Sterling value of the Pool's overseas equities that was generated by the weakness of the currency.

A switch to the value of £50m, or 6% or so of the Return Seeking Pool at the time, was made between UK equities and overseas equities early in the second quarter of 2010.

Insight Investment Management is the sole manager of the Liability-Matching Pool, which was valued at £104.6m at the end of December 2010.

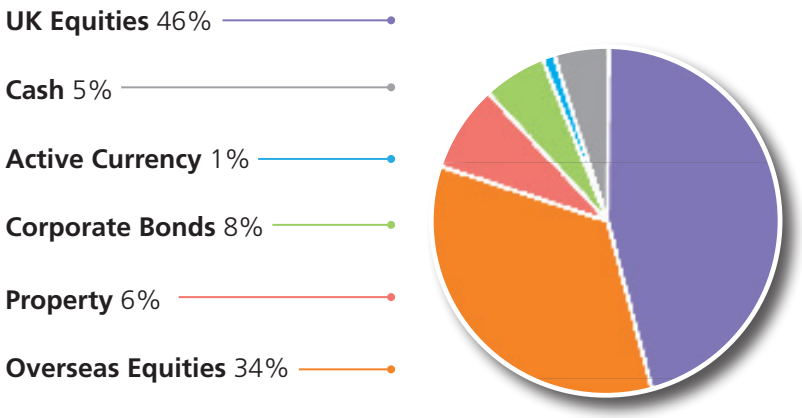
The Investment Committee's efforts during the year were concentrated on reviewing the property investment arrangements of the Return Seeking Pool, reviewing the structure of the Liability Matching Pool and its management arrangements, restructuring the options being made available for members of the Clergy scheme wishing to make Additional Voluntary Contributions, and considering investments in Global Tactical Asset Allocation (GTAA). Investments were made in a selection of GTAA pooled funds in the early part of 2010.

Mercer continues to act as the Board's investment consultant. It advises on asset allocation and the appointment of fund managers. Northern Trust acts as custodian for the assets of the Board's investment pools, operates the passive currency hedge and provides an independent measure of investment returns.

Investment Performance

Return-Seeking Asset Pool

The Board's Return Seeking Pool was invested in a diversified range of assets and asset classes throughout the year. At the year end, the asset mix was as set out below:



The Pool generated a return of 12% over the year. This was comfortably ahead of inflation and of the returns required by the Board's pension schemes, even though it was a marginal 0.8% less than the return of the consolidated benchmarks used for the managers of the assets of the Pool.

UK equities returned 15%, which was 1.1% more than the consolidated benchmark for the asset class of 13.9%. This has been a successful area of investment for the Board over the longer term, but particularly over the last three years when the blend of passive and active management has worked well.

In 2010, GMO's actively managed UK equity mandate generated a return of 16.1%, which was 2.3% ahead of the return of the FTSE All Share Index, after adjustment to reflect the Board's ethical restrictions. Legal & General's passive UK equity mandate, which tracks an ethically adjusted version of the FTSE 350 Index, returned 14%.

Non-UK equities was a challenging asset class, where the Pool's two managers, GMO and RCM, jointly returned 12.8% over the year, or 11.4% after the effect of currency hedging. The unhedged return was 3.5% less than the consolidated return of the two managers' benchmarks, which was 16.3% over the year.

Although the bulk of the underperformance lay in RCM's part of the portfolio, both managers were affected by similar headwinds in equity markets, principally the market's focus on more speculative and cyclical companies. Investment in good quality companies, while it may not be in tune with the market's mood over some periods of time, has in the past, and will in the future, stand the Board in good stead.

Property was overall the best asset class for the Board in 2010, returning 17% over the period. As indicated above, the management arrangements changed over the course of the year. DTZ had sole management of the portfolio of property unit trusts from January to March, and then CBREI was appointed as a second manager in April, before taking over DTZ's portfolio and sole responsibility for the asset class from June. The outperformance, which was spread fairly evenly across the year, was largely due to the bias to specialist funds in the portfolio established by DTZ and the overseas investments made by CBREI.

The Return Seeking Pool's investment in Auriel's active currency fund rose in value by 6.3%; its benchmark was one-month Sterling LIBOR, which returned 0.5% over the year. This investment was reviewed by the Investment Committee in conjunction with its assessment of GTAA and was redeemed in April 2011.

Along with the review of overseas equity management, the Investment Committee will also look into infrastructure and emerging market equities during 2011.

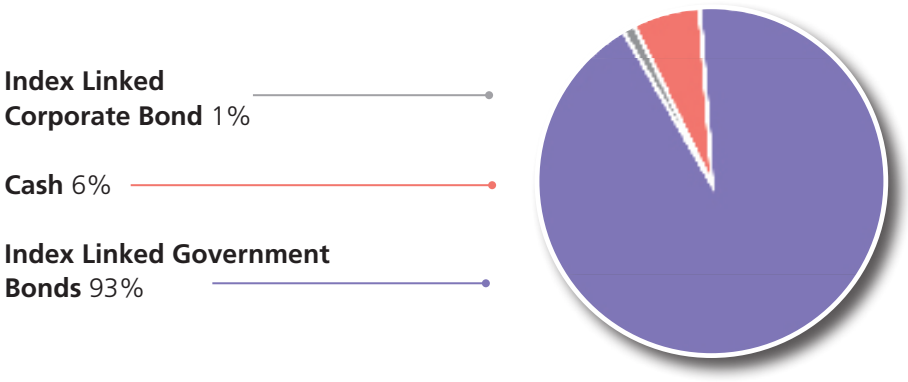
The longer term returns from the broad asset classes invested in by the Return Seeking Pool are set out below:

	1 year % pa	3 years % pa	5 years % pa
Return Seeking Asset Pool return	12.0	0.9	3.3
Consolidated pool benchmark	*12.8*	*0.9*	*4.3*
UK Equities	15.0	2.1	4.6
Consolidated UK equity benchmark	*13.9*	*1.0*	*4.9*
Non-UK Equities (hedged for 2010)	11.4	1.9	3.3
Consolidated non-UK equity benchmark	*16.3*	*4.3*	*5.6*
Property	17.0	-8.7	
IPD All Pooled Funds Index	*13.7*	*-9.9*	
Alternatives - Active Currency	6.3	-4.5	
Sterling 1 month LIBOR	*0.6*	*2.4*	
Corporate Bonds (from 10/2/2009)	7.7		
iBoxx Sterling non-Gilt (ex-BBB) Index	*7.8*		

Liability-Matching Pool

The Liability Matching Pool, which is managed solely by Insight, returned an impressive 10.2% compared with the return of 9.1% from its benchmark, the FTSE UK Government Over 5-Year Index Linked Gilts Index.

This pool was mostly invested in UK index-linked gilts throughout 2010. At the year end the asset mix was as set out below:



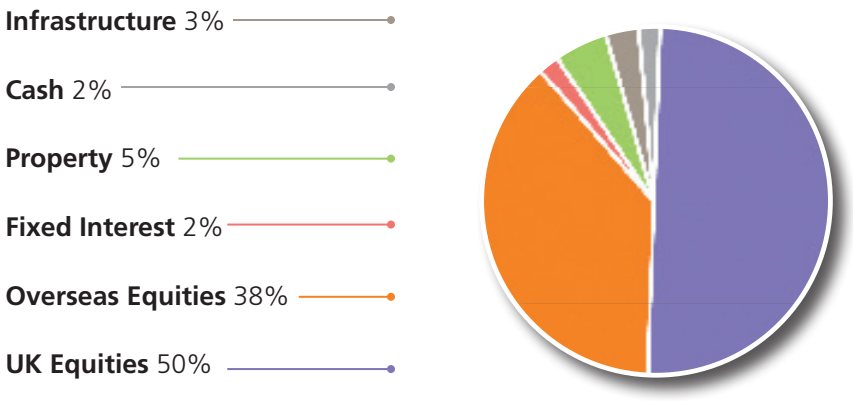
The Liability Matching Pool's longer term returns are set out in the table below:

	1 year % pa	3 years % pa	5 years % pa
Liability Matching Pool return	10.2	8.7	7.7
Consolidated pool benchmark	9.1	6.0	6.8

Charitable Funds

The Board's charitable funds are managed by CCLA Investment Management through holdings in the CBF Church of England Investment Fund and the CBF Deposit Fund.

The CBF Investment Fund is well diversified and aims through active management to generate capital appreciation and rising income over time. At the end of 2010, the asset mix in the fund was as set out below:



Performance is reported in relation to a composite benchmark, which has an 80% allocation to equities (split 60% to the UK market and 20% to overseas markets), 10% to property and 10% to Government bonds.

The performance of the two funds in which the charitable funds are invested, together with the asset allocation to each fund, is set out in the table below.

	Value £m	Allocation	1 year % pa	3 years % pa	5 years % pa
CCLA CBF Investment Fund	29.1	92%	13.3%	0.7%	4.4%
Composite benchmark			*14.4%*	*2.4%*	*4.9%*
CCLA Deposit Fund	2.5	8%	0.7%	2.6%	3.7%
Benchmark			*0.5%*	*1.9%*	*3.3%*
	31.6	100%			

The CBF Investment Fund returned less than its composite benchmark in 2010. Stock selection in equities was generally good, but the fund was underweight property and the returns from infrastructure, which is not included in the comparator, lagged those from other asset classes.

Investment Policy

The strategy for the investment of the Board's pension fund assets takes into account the Board's ethical policy and the relative maturity of each scheme's liabilities as reflected in contributions receivable and benefit outgoings.

The various schemes' strategy was to be invested as follows:

	Return Seeking Pool	Liability Matching Pool
Church of England Funded Pensions Schemes*	100%	
Clergy Widows and Dependants Pension Fund**	60%	
Church Workers Pension Fund		
Defined Benefit Scheme	100%	
Life Risk Section	25%	75%
Defined Contribution Scheme	75%	25%
Church Administrators Pension Fund (Defined Benefit Scheme)***	69%	31%

* The Board has approved a policy which will lead to a progressive switch of assets to the Liability Matching Pool between 2009 and 2029 (see page 46)

** The CWDPF holds a portfolio of index-linked gilts and cash, which are held outside the CEIFP

*** There is also a defined contribution scheme within the CAPF which sits outside the CEIFP

Statement of Investment Principles

A new Statement of Investment Principles (SIP) and associated documents were approved by the Board on 14th September 2010.

The SIP covers the pension funds for which the Board is corporate trustee as well as for the common investment fund. It covers the strategy and management arrangements, including custody of securities, ethical factors and restrictions, and the use of voting rights. A copy of the SIP is available on request.

Management Charges

Each manager charges fees based on the value of the funds it is managing. In 2010 these fees (including those charged by Northern Trust as custodian) were £2.3m. This equated to 0.2% of the average value of the funds under management.

Socially Responsible Investment

The Pensions Board takes independent advice on ethical investment from the Church's Ethical Investment Advisory Group (EIAG).

EIAG members include experts in theology and ethics as well as individuals with experience of living out Christian values in the worlds of investment and business. Members are nominated by the General Synod, the Archbishops' Council, the Council for Mission and Public Affairs, and the national investing bodies. The Group co-opts members who have particular expertise that would be helpful to the Group's work. The Board is represented on the group by Ian

Clark, one of our Board members, and by our Chief Executive. The EIAG has a permanent Secretariat which supports the development of policy advice.

Our support for the EIAG reflects our commitment to ethical investment in line with the values of scheme members and to the good stewardship of our equity investments in line with the principles of the UK's new Stewardship Code.

Ethical policies

The EIAG recommended a revised ethical investment policy on defence investments in 2010, which the Board adopted. While the new policy recognises a range of views held among Anglicans, including outright rejection of weaponry, it draws heavily on Christian 'just war' thinking which sets out criteria for the legitimate resort to warfare and conduct of war.

According to these criteria, warfare should avoid harm to non-combatants and the means of warfare should be proportionate. The policy involves a complete bar on investment in companies involved in the production of indiscriminate weapons – companies involved in landmines, cluster munitions, nuclear weapons and the processing, supply or storage of weapons-grade nuclear fissile materials.

The policy also excludes investment in companies whose main business is the production of conventional weapons. While many Anglicans accept that recourse to war may be justified, almost all Christians are uncomfortable about war and the appropriateness of investing in, and deriving profit from, products purposely designed to destroy human life.

The policy recognises that a great many companies in the modern economy are involved in some way in the production and supply of conventional weapons, and weapons parts and services. It allows investment in such companies if their revenues from conventional weapons and strategic parts and services do not exceed 10% of turnover.

The Board expects to receive in the course of 2011 updated advice from EIAG on ethical investment exclusions related to alcoholic drinks and high interest rate lending.

As well as excluding companies from investment under the new defence policy, the Board continues to avoid investment in companies that produce pornography. We do not invest in companies if a major part of their business activities involves the production or supply of tobacco products or alcoholic drinks. Nor do we purchase shares in companies substantially involved in gambling, weekly collected home credit ('doorstep lending') or human embryonic cloning. Our Ethical Investment Policy is set out in Appendix 4.

Engagement and proxy voting

The EIAG continues to engage on ethical issues, on the Pensions Board's behalf, with many of the companies in which we have our main equity holdings.

The EIAG's main engagement in 2010 was with BP in the wake of the Gulf of Mexico oil spill. A number of meetings were held with the company in the third quarter of 2010.

Following our disinvestment from Vedanta Resources on ethical grounds in February 2010, we have noted that Vedanta was denied permission to go ahead with the controversial mine in the tribal area of India that was visited by EIAG staff. The company has appointed a Chief Sustainability Officer and has accepted the recommendations of an independent sustainability review. The EIAG is continuing to follow developments.

Other engagement activity in 2010 included meetings or teleconferences with Associated British Foods, Anglo American, First Group, GlaxoSmithKline, Morrisons, Nestle, Royal Bank of Scotland, Royal Dutch

Shell, Sainsbury's, Tesco and Wal-Mart. The issues covered included ethical trading, access to medicines, respect for local communities, environmental impact and reduction of carbon emissions.

In our proxy voting the main issue on which the Board did not back management remained executive remuneration. The EIAG and the Board share a deep concern about excessive increases in recent years in the amounts payable under variable remuneration schemes – both annual bonuses and longer term incentive plans – and will be considering in 2011 how to step up engagement with business on this.

Partnerships

The Board is a member of the ecumenical Church Investors Group which acts as a forum for collaboration by Church investors in the British Isles on ethical investment policy, engagement and proxy voting.

The Board was pleased to become a signatory in September 2010 to the United Nations Principles for Responsible Investment. While we have always taken non-financial ethical considerations into account in our investments, we wanted to become part of the public community of signatories committed to the integration of environmental, social and governance factors with investment practice and the better alignment of investors and the broader objectives of society.

The Board was also pleased to become a signatory to the Investor Statement of the Institutional Investors Group on Climate Change, the forum for collaboration on climate change for European investors. In signing the statement we have committed to integrate consideration of climate change risks and opportunities with our investment management.

Finally the Board has become a signatory to the Carbon Disclosure Project questionnaire that is sent every year to over 3,500 global companies asking them to disclose their carbon emissions and climate change strategies.

Statement of the Board's responsibilities

The Board's responsibilities include ensuring that adequate records exist which disclose with reasonable accuracy at any time the financial position of each of the pension schemes and the charitable funds and trusts, and which enable the Board to prepare accounts that comply with the Charities Act 1993 (the "Act") , the Charity (Accounts and Reports) Regulations 2008 or with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 (the "Regulations") and with the relevant Statement of Recommended Practice for Accounting and Reporting.

The Regulations and the Act require the preparation of accounts which show a true and fair view, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) of:

- the financial transactions during the year and of the amount and disposition at the end of the year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the schemes' year; and
- the state of affairs of the charity and of the incoming resources and application of resources of the charity for that year.

In preparing the accounts the Board has ensured that:

- suitable accounting policies are selected and applied consistently;
- when judgements or estimates are made, they are reasonable and prudent;
- applicable UK Accounting Standards have been followed, subject to disclosure and explanation of any material departures in the financial statements;
- the financial statements are prepared on a going concern basis.

The Board is responsible for ensuring that there is an up to date schedule of contributions in place for each pension scheme, showing the rates payable and the dates by which they are due, and that the receipt of the contributions is monitored in accordance with the schedule. Where breaches of the schedule occur, the Board is required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

The Board is responsible for making available certain other information in the form of an Annual Report.

The Board is responsible for safeguarding the assets of the pension schemes and of the charitable funds, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Board is also responsible for the maintenance and integrity of the information included on the Board's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Church of England Pensions Board Charitable Funds

This section of the report has been prepared in accordance with the Charities SORP 2005.

The administrative structure of the Board and the details of the trustees and advisers are set out at the back of this report.

Its administrative expenses are set out on pages 87 to 89.

Introduction to the Charitable Funds

The Board administers its charitable funds, in accordance with the requirements of the Charities Act 2006, to provide the best possible support and care, within available resources, to those who have retired from stipendiary and lay ministry within the Church of England and also to their dependants.

How we fulfilled our objectives in 2010

	Our Objective	
	Provide retirement housing assistance to retired stipendiary clergy and their dependants	We provide retirement housing to around 3,000 clergy households. In 2010 we processed in excess of 130 new applications in the CHARM scheme.
We provide around 230 places in seven Christian retirement communities. Level of occupancy during 2010 continued to improve and several of our schemes are now operating a waiting list.	Provide supported housing to those retired clergy and their surviving dependants who wish to live as independently as possible in a caring community.	
	Provide nursing care to the more frail and needy of the retired clergy at Manormead Care Home	In 2010 we opened our first specialist dementia care unit at Manormead. In total, including the specialist unit, we provide around 30 places in the Nursing Home.
In 2010, we provided grants to 129 clergy, their surviving spouses or civil partners. We also reviewed the minimum income standard on which grants are based.	Provide discretionary grants to ensure that retired clergy and their surviving spouses or civil partners have a minimum level of income	

Public Benefit

There are few parishes in the Church of England who do not benefit from the ministry and mission of retired clergy at some point.

After a lifetime of service to the Church, clergy in retirement often continue their ministry assisting local churches. We help them to play a full role through the provision of retirement accommodation and, where applicable, direct grants to supplement their income.

Nationally, the Church, through its network of more than 12,000 parishes, 16,000 churches and 20,000 ordained and lay ministers seeks to build social capital and provide spiritual care for all those who might wish to engage with matters of faith in a Christian context. The local churches are a focus for community activity, and through resources available at their disposal, provide activities that support community development and social cohesion. These can include projects which support children, families and the elderly. Retired clergy and their dependants often play a role in these projects.

In accordance with the requirements of s.4(6) Charities Act 2006, in exercising their responsibilities the Board has had regard to the Charity Commission's published advice on public benefit, especially that contained in its supplementary guidance "The Advancement of Religion for the Public Benefit".

Charitable Activities

At least one in four clergy retiring from the stipendiary ministry seeks our assistance.

We help them at a time when they may be feeling particularly vulnerable. They are not only adjusting to retiring from full-time work, but unlike most people in this position, they have often lived for the majority of their working lives in tied accommodation which they have to leave. They also usually move away from the community where they have played a pivotal and central role, and which they may have served for many years.

Our assistance is provided on an assessed ability to pay rather than on a full cost recovery. We aim to help all those who turn to us in some form, provided they meet the criteria for assistance.

Our strategy in the medium to long term is to:

- ensure the long term provision of services to our beneficiaries
- ensure that our retirement housing and supported housing schemes are well maintained and provide an appropriate level of service
- continue to provide nursing care at Manormead Care Home, including specialist dementia care
- explore what further provision can be made for specialist dementia care within our supported housing provision
- continue to provide discretionary grants to ensure retired clergy, surviving spouses or civil partners have a minimum level of income.

In 2011, we will continue to provide these services within the resources available to us. We continue to shape and refine the services that we offer to ensure that they are sustainable in the future.

Our charitable activities are financed by gifts, legacies and investment income. All donations are placed in our General Purposes Fund.

Full details of our charitable activities are set out on the following pages.

Retirement Housing

The purpose of the retirement housing scheme – the Church Housing Assistance for the Retired Ministry, or CHARM – is to assist those vacating tied accommodation and who have not been able throughout their service and ministry to the Church to make their own provision for somewhere to live in retirement.

We currently assist some 3,000 retired clergy and their dependants through the various options under CHARM. Approximately one in four clergy retiring from the stipendiary ministry approaches us for assistance.

CHARM is a discretionary facility. The Board specifies a number of parameters relating to the size and type of property which is available, as well as the form and amount of assistance which is available. These are regularly reviewed.

The rental housing has mostly been purchased with finance from the Church Commissioners. For investment reasons, the Commissioners decided to withdraw their funding of new CHARM properties with effect from 30 June 2010. The Board therefore entered into negotiations to secure a new source of financing. In June 2010 we entered into a £50m loan agreement with Santander Corporate Banking to provide the finance needed for the next three to four years, thereby allowing a seamless transition and allowing us to continue to offer retirement housing assistance.

The CHARM scheme is subsidised by the wider Church of England through Vote 5 of the Archbishops' Council's budget. The total grant for 2010 was £3.2m.

A large proportion of the cost of running the scheme is money spent on repairs and maintenance. Towards the end of the year, we entered into a partnership agreement with Sanctuary Housing Association to manage the repairs, maintenance and improvement works initially on our rental housing stock. The work had previously been managed in-house in conjunction with a network of local surveyors. The new service took effect on 1 January 2011. Sanctuary's service is available 24 hours a day, 365 days a year.

Information on eligibility and access to the housing scheme is available on our website, the address of which is inside the front cover of this report.

Shared Ownership

The Shared Ownership scheme was introduced in 2008 in place of the value-linked mortgage scheme, which closed to new applicants in April of that year. In total we assist around 80 households through the shared ownership scheme

Properties are purchased by the Board in partnership with the beneficiaries, with beneficiaries making a minimum contribution of 25% of the property cost, and the Board making a maximum contribution of £150,000.

	2010	2009
Number of new properties	41	27
Board's total capital contribution	£8.2m	£2.7m
Average capital contribution	£103,000	£100,000
Average property value	£183,500	£183,000
Average capital share held by the Board	56%	55%

Beneficiaries pay rent, based on the Board's capital share of the property, and a service charge, which reflects the likely cost of maintaining and insuring the property. Properties are inspected on a five-year basis and the service charge calculation allows beneficiaries to smooth the cost of repairs and maintenance over a period of time.

The service charge is reviewed every six months. The rent is increased in line with the weighted increase in the full Church and State pensions for a married couple.
There was no rent increase in April 2010 given that the Church pension did not increase and the retail prices index was negative in the year to September.

Rented properties

Where beneficiaries do not have the resources to enter the Shared Ownership Scheme, assistance through the provision of a rented property is made available. These are the majority of those seeking housing assistance, and in 2010 we assisted 78 people, which accounted for around 25% of those retiring from the stipendiary ministry. In total we assist in excess of 1,200 households through the rental scheme.

Beneficiaries are initially offered the choice of a small number of vacant properties. The scheme though is flexible and where one is not available, or for some reason not suitable, in the area of their choice, the Board will consider purchasing a property for them. The property has to be within a range of specified criteria which include a maximum purchase price of £200,000 (£225,000 in South-eastern counties). In total 60 properties were purchased in 2010.

	2010	2009
Number of new properties	60	54
Total Purchase Price	£11.0m	£9.2m
Average Purchase Price	£178,000	£170,000

The repairs and maintenance of the rental properties were outsourced to Sanctuary Housing Association on 1 January 2011 who are carrying out stock condition surveys on all properties. Previously properties were inspected every five years by surveyors to ensure that they were in a good state of repair and maintenance.

Beneficiaries pay a rent towards the Board's costs of maintaining the property and the cost of financing the purchase of the property. This is capped at a maximum of 30% of their (joint) gross income from all sources. Occupants are asked to complete a financial questionnaire annually from the date of occupation to ensure that those not meeting the costs of providing the property are paying an appropriate amount within the terms of the scheme.

The difference between the capped rent and the actual cost of providing the property is met by the wider Church through Vote 5 of the Archbishops' Council's budget.

Certain properties have been purchased directly by the Board from its own funds. Where this is the case, no notional interest is included in the running costs of these properties. This represents a subsidy from the Board's charitable funds and a saving on the Vote 5 budget of around £1.5m per annum.

Mortgage Schemes

The mortgage schemes are now closed to new applicants.

A fixed-interest mortgage scheme was in operation until 31 December 1982. Beneficiaries pay interest only on the mortgage advanced. Since 1982 there have been a small number of advances made. Repayments of £14,000 were received during 2010 and 22 loans were outstanding at the end of the year.

The later value-linked mortgage scheme closed on 31 March 2008. Beneficiaries pay an interest-only element on the advanced sum, and when the property is sold or the mortgage redeemed, the sale proceeds are divided between the beneficiary and the Board in the same proportions as when the loan was advanced. Repayments of £7.35m were received during 2010 and 1,117 loans were outstanding at the end of the year.

Supported Housing and Nursing Care

For over 60 years, the Board has been providing supported housing for those retired clergy and their dependants who wish to live as independently as possible in a caring Christian community, with access to a range of comprehensive support services.

We recognise that there are some of our beneficiaries who no longer feel comfortable living by themselves or who find it increasingly difficult to maintain and manage a home of their own. We also recognise that after a lifetime of service to the Church, some of our beneficiaries may wish to continue living within a community where the liturgical and spiritual life of the Church of England is central.

Our supported housing schemes not only provide residents with a self-contained flat but also include dining facilities, meeting spaces, libraries, a chapel and communal grounds. The schemes provide places for some 260 people across seven schemes and a nursing home.

Our strategic aim is to ensure that the service provision in our supported housing schemes remains sustainable in the long term. Throughout 2010, we have continued to focus on this and have introduced some operational changes. Following a successful pilot exercise at Ramsay Hall, Worthing, emergency cover is now provided by a local specialist call centre rather than through having staff sleeping on-site each night at both Ramsay Hall and Fosbrooke House. At the other schemes, we are working toward an overnight provision that is appropriate to those actually resident in each scheme; this may vary from scheme to scheme.

Residents in our scheme may receive a subsidy from the Board's charitable funds to help them pay the charges; this is dependent on their income and capital resources. Residents who are eligible are also encouraged to seek state benefits. The introduction of a more transparent form of charging in 2009 had meant that some of our residents became eligible for housing and council tax benefit.

The cost of running the schemes is not met fully by the rent and service charges received and shortfalls are met from the charitable funds. In 2010 these amounted to £1.2m (£1.9m in 2009).

Dementia Care Provision

Until 2010 the Board did not make any special provision for the care of those of our beneficiaries who are suffering from dementia. We recognised that there was a real need in this area, particularly given that it is estimated that one in five people over the age of 80 experiences the symptoms of dementia. The effects of dementia can be very distressing not only for the person concerned but also for friends and family.

The Allan Bridgewater Wing, within Manormead Care Home, was opened in December by Jonathan Spencer, our Chairman, and blessed by Bishop David Walker, Chairman of our Housing Committee. The seven-bed unit includes a communal dining area, a specialist bathing facility, and a sensory garden with raised beds to promote interest and stimulation.

The Board is exploring what further provision can be made in this area.

Other Homes

The primary responsibility for assistance with fees for those living in residential and nursing homes not operated by the Board lies with the local authorities, social services departments and primary care trusts. The Board has been able to assist a small number of beneficiaries with financial help within certain limits. During 2010, the Board reviewed its support in this area and felt that it could not support any new applications for grants, although existing grant recipients are not affected by this decision. The total cost of providing assistance in 2010 was £60,000.

Income generated

It is costly to maintain the level of services that we offer our beneficiaries, be it in housing, supported housing, nursing care or ensuring that retired clergy have a minimum standard of income.

The wider Church, through Vote 5 of the Archbishops' Council's budget, contributes £3.2m to the provision of retirement housing.

The charitable funds hold investments of £29.5m, the majority of which is invested in the CBF Church of England Funds. The Investment Committee maintains a watching brief to ensure that this money is appropriately invested. Detailed information on the performance of these funds is set out on page 13. Total investment income for the year was £1.3m.

This income is not sufficient to cover the services we provide and without the generous gifts, donations and legacies received, we would not be able to offer the level of services currently provided.

Donations were received from PCCs, individuals (including our own beneficiaries), and from charitable trusts. In 2010 these amounted to £267,000. Like many other charities we have seen the level of donations remain under pressure, and we are grateful to everyone who has given towards our work during the course of the year.

	2010 £000	*2009 £000*	*2008 £000*	*2007 £000*	*2006 £000*
PCCs	13	14	16	14	21
Charitable Trusts	170	87	124	120	171
Donations	84	56	58	74	72
Appeals		34	14		
	267	*191*	*212*	*208*	*264*
Legacies	235	165	289	623	284
Properties bequeathed		230	225		200
Total	**502**	**586**	**726**	**831**	**748**

In particular, the Board would like to thank for their generous support:

- The Home of Devenish for its continued support towards our work, the Scott-Lindsley Trust for their generous donation, and two other charitable trusts who wished to remain anonymous;
- The estate of the late Mrs Angela Holder for the bequest made in memory of the Revd and Mrs H E Ruddy, who showed her kindness when she was young;
- The estates of the late Myles Atkinson, the late Mrs Janet McLean and the late Revd John Homfray, who left bequests to support clergy in retirement.

Bequests of money were used to finance the development of our first specialist dementia care unit at Manormead and to equip it for use.

Bequests of property are always appreciated. These are often used to house beneficiaries.

Our website (the address of which is inside the front cover) includes details of how you can help us through donating towards our work or how to include the Board in your Will.

Reserves Policy

The Board has considered the level of reserves which should be maintained within the charitable funds. Such reserves are needed to cover, for example, working capital, the risk of possible shortfalls in income and other contingencies. In the light of the refinancing agreement for the CHARM scheme, although the reserves are considered sufficient for our current activities, the reserves policy will be reviewed during 2011, informed by the experience of a full year of operating within the new arrangements.

Independent Auditors' Report to the Church of England Pensions Board on the Charitable Funds and Trusts

We have audited the accounts of the Charitable Funds and Trusts of the Church of England Pensions Board (the "Board") for the year ended 31 December 2010 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of the Board's Responsibilities, the Board is responsible for the preparation of accounts which show a true and fair view.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Board as a body in accordance with Regulation 30 of The Charities (Accounts and Reports) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the accounts.

Opinion on accounts

In our opinion the accounts:

- show a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2010, and of the group's incoming resources and application of resources and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Board's Annual Report is inconsistent in any material respect with the accounts; or
- sufficient accounting records have not been kept by the parent charity; or
- the parent charity accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 June 2011

PricewaterhouseCoopers LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

The Charitable Funds and Trusts of The Church of England Pensions Board

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Unrestricted 2010 £'000	Restricted 2010 £'000	Total 2010 £'000	Total 2009 £'000
Incoming resources					
Incoming resources from generated funds					
Voluntary income					
Donations and gifts		267	-	**267**	191
Legacies and property donated		235	-	**235**	395
Income from investments and deposits	7	1,347	-	**1,347**	1,312
Incoming resources from charitable activities					
Grants receivable and subsidies	13	3,695	-	**3,695**	3,485
Properties let under licence	5e	5,242	-	**5,242**	5,093
Mortgage loans - interest receivable	5e	3,414	-	**3,414**	3,584
Shared ownership		236	104	**340**	100
Supported housing schemes and nursing home fees	6b	1,765	2,743	**4,508**	4,097
Other incoming resources					
Gains on sales of housing scheme properties		4,024	-	**4,024**	2,185
Gains on redemption of housing scheme mortgages		187	-	**187**	-
Total incoming resources		20,412	2,847	**23,259**	20,442
Charitable expenditure					
Costs of generating funds					
Costs of generating voluntary income (page 95)		(114)	-	**(114)**	(108)
Charitable activities					
Grants payable		(405)	-	**(405)**	(288)
Shared ownership		(667)	(76)	**(743)**	(190)
Properties let under licence	5e	(9,720)	-	**(9,720)**	(8,298)
Mortgage loans – interest and other costs	5e	(3,881)	-	**(3,881)**	(4,533)
Supported housing schemes and nursing home		(3,196)	(2,509)	**(5,705)**	(6,031)
Investment property costs		(49)	-	**(49)**	(54)
		(17,918)	(2,585)	**(20,503)**	(19,394)
Governance costs		(116)	-	**(116)**	(103)
Other resources expended	9	(1,162)	-	**(1,162)**	-
Total resources expended		(19,310)	(2,585)	**(21,895)**	(19,605)
Net incoming resources before transfers and other recognised gains/(losses)		1,102	262	**1,364**	837
Net transfers between funds	14	-	-	-	-
Net incoming resources		1,102	262	**1,364**	837
Other recognised gains/(losses)					
Gains on investment assets	7	2,277	-	**2,277**	2,936
Net movement in funds		3,379	262	**3,641**	3,773
Fund balances at 1 January		91,139	-	**91,139**	87,366
Fund balances at 31 December	14	94,518	262	**94,780**	91,139

The Charitable Funds and Trusts of The Church of England Pensions Board

CONSOLIDATED BALANCE SHEET – 31 DECEMBER 2010

	Notes	Consolidated Total 2010 £'000	Consolidated Total 2009 £'000	Charity Total 2010 £'000	Charity Total 2009 £'000
Fixed assets					
Freehold and leasehold properties let under licence	5c	**120,415**	109,240	**120,415**	109,240
Mortgage loans receivable	5c	**60,893**	64,594	**51,261**	54,296
Freehold nursing home and residential schemes	6a	**19,435**	19,938	**19,435**	19,938
Investments	7	**29,543**	28,265	**29,543**	28,265
Office equipment	8	**498**	-	**498**	-
		230,784	222,037	**221,152**	211,739
Current assets					
Debtors - falling due within one year	10	**2,417**	5,099	**12,040**	15,399
Cash at bank and in hand		**7,474**	5,958	**7,369**	5,178
		9,891	11,057	**19,409**	20,577
Creditors – amounts falling due within one year	11	**(4,903)**	(5,320)	**(4,798)**	(4,552)
Net current assets		**4,988**	5,737	**14,611**	16,025
Total assets less current liabilities		**235,772**	227,774	**235,763**	227,764
Creditors – amounts falling due after one year	12	**(140,992)**	(136,635)	**(140,992)**	(136,635)
Net assets	14	**94,780**	91,139	**94,771**	91,129
Net funds	14	**94,780**	91,139	**94,771**	91,129

Signed on behalf of the Board

Dr Jonathan Spencer
Chairman

The Rt Revd David Walker
Vice Chairman

Bernadette Kenny
Secretary & Chief Executive

27 June 2011

The Charitable Funds and Trusts of The Church of England Pensions Board

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

		2010 £'000	2009 £'000
Surplus for the year per statement of financial activities		**3,641**	3,773
Adjustments for items related to investing activities			
Property and shares donated		**-**	(230)
Surplus on sale of housing scheme properties		**(4,024)**	(2,185)
Surplus on redemption of housing scheme mortgages		**(187)**	
Change in market value of residential schemes and nursing home		**6**	-
Surplus on sale of investments		**(354)**	(551)
Change in market value of investments		**(1,923)**	(2,385)
Amortisation of leasehold properties		**160**	49
Amortisation of homes buildings and fixtures and fittings		**753**	555
		(5,569)	(4,747)
Net cash movement on debtors and creditors		**2,993**	(1,186)
Net cash inflow/(outflow) from operating activities		**1,065**	(2,160)
Capital expenditure and financial investment			
Rental properties	- purchases	**(16,694)**	(10,553)
	- sales	**9,383**	8,640
Mortgage loans	- repayments	**3,888**	3,501
Residential schemes	- new building works	**(90)**	-
	- fixtures and fittings	-	(16)
Other	- fixtures and fittings	**(664)**	-
Investments	- sales	**700**	-
Investment properties	- sales	**299**	801
Net cash (outflow)/inflow from investing activities		**(3,178)**	2,373
Net cash (outflow)/inflow before financing		**(2,113)**	213
Financing			
Net cash received/(paid) on loans from:			
Church Commissioners			
for rental properties		**4,598**	4,054
for mortgages		**(2,768)**	(380)
for mortgages to Graingers		**(701)**	(2,295)
Santander		**2,500**	-
Net cash inflow on financing		**3,629**	1,379
Increase in cash		**1,516**	1,592
Net cash resources at 31 December 2009		**5,958**	4,366
Net cash resources at 31 December 2010		**7,474**	5,958

Notes to the financial statements of the Charitable Funds and Trusts

1. Basis of preparation of financial statements

The financial statements of the Charitable Funds and Trusts administered by the Board are combined in these financial statements.

In 1995, the Board acquired a subsidiary company, CEPB Developments Ltd., which handled the development of various homes. In 2005, the Board acquired another subsidiary, CEPB Mortgages Ltd., a company limited by guarantee, which has handled all mortgage advances from that date, and is no longer taking on any new mortgage business. The financial statements of these 100% owned subsidiaries are consolidated with the General Purposes Fund in these financial statements.

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in February 2005.

2. Statement of accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value and certain assets at valuation, and on the basis of the following accounting policies which have been consistently applied.

2.1 Freehold and leasehold properties

(a) Cost or valuation

All properties are shown at original cost to the Board except for:

(i) properties received as a gift which are included at the value placed on them by the Board when received;

(ii) properties purchased with the help of a diocesan or other grant which are included at net cost to the Board;

(iii) capitalised building works. When the cost of works to a Church Commissioners property in a calendar year exceeds £5k, 40% of the excess cost attributable to the improvement of the property is capitalised.

(iv) nursing home and residential schemes which are included ay valuation (note 2.3)

(b) Amortisation

(i) No provision is made in these financial statements for the depreciation of freehold properties as the Board considers that their current values are greater than the amounts included in these financial statements (see note 5(d)).

(ii) Leasehold properties are amortised on a straight line basis over the lesser of the life of the lease and 100 years.

2.2 Mortgage loans - interest

(a) Loans are shown at cost.
(b) Interest receivable and payable on mortgage loans is accrued when interest is due under current payment terms.

2.3 Nursing home and residential schemes

The nursing home and residential schemes are included in the financial statements at existing use value as at 31 December 2010. The Board obtained a valuation from surveyors Knight Frank as at 31 December 2008 to support the valuation, which has not materially changed since that date. The properties were individually valued at market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors. The Board has made a provision for depreciation of the nursing home and residential schemes in accordance with FRS15 with effect from 1 January 2006 (note 6(a)).

Fixtures and fittings are capitalised at cost or valuation and are amortised on a straight line basis over ten years.

2.4 Restricted funds

These consist of the income and expenditure of the shared ownership scheme (except for costs associated with the purchase of a property) and a proportion of the income and expenditure of the residential schemes.

2.5 Investments

(a) Basis of valuation

(i) Investments are valued at their closing mid-market prices at 31 December.
(ii) Investment properties are shown at cost as it is the intention of the Board to dispose of these properties as soon as practicable. These properties are valued at £854k for insurance purposes.
(b) Investment and deposit income

Investment and deposit income for the year comprises dividends receivable and interest accrued.

(c) Gains and losses on investment assets

Gains and losses on investment assets represent - (i) the profits or losses realised on the sale of investments during the year, plus (ii) the movement in the value of investments held during the period resulting from unrealised gains and losses.

2.6 Office equipment

Office equipment is capitalised at cost and amortised on a straight line basis over five years.

2.7 Donations, gifts, legacies and properties donated

Donations, gifts, legacies and properties donated are included in the year of receipt. As at 31 December 2010 legacies, including properties, totalling £100k (2009 £12k) were expected from estates where probate had already been granted. These have not been included in the accounts as the residual values are estimated, additional costs may arise and there is potential for the will to be challenged and additional beneficiaries to appear.

2.8 Incoming resources from charitable activities

The majority of the income receivable is in respect of housing provision for retired clergy. Beneficiaries in the CHARM scheme pay a maintenance contribution for properties occupied under licence. Those beneficiaries who have opted to take out mortgages are charged interest on the loan. Occupants of the nursing home and supported accommodation pay fees that contribute to the Board's costs. Grants receivable and subsidies are given in detail in note 13.

2.9 Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category.

2.10 Governance costs

Expenditure under this heading includes Board members' expenses, a proportion of salary costs related to governance, internal audit charges and other related general office costs associated with governance.

2.11 Management and administration costs

Management and administration costs include expenditure on the administration of the charity and compliance with constitutional and statutory requirements, and an appropriate apportionment of indirect costs.

2.12 Grants receivable and subsidies of the Board's activities

The Archbishops' Council, from money provided by dioceses, provides a grant towards (i) properties let under licence, the excess of direct expenditure and interest payable over maintenance contributions receivable, and (ii) value linked mortgages, the contributions made towards borrowers' legal and other professional costs. The Church Commissioners meet the equivalent costs for those who resigned under the Ordination of Women Legislation (OWL).

2.13 Grants Payable

Grants are payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard (the standard is reviewed annually). There are 129 grants in payment at the end of 2010 (2009: 144).

2.14 Pensions

Pension benefits for managerial staff are provided by a defined benefit scheme (note 4). This scheme is considered to be a multi-employer scheme within FRS 17: Retirement Benefits paragraph 9(b). Pension benefits for other staff are provided by a defined contribution scheme. For each scheme the amounts charged in the statement of financial activities in respect of staff pension costs are the contributions payable in the year.

2.15 Irrecoverable VAT

This is included within the associated expenditure items.

3. Staff numbers

The average number of staff employed in the Board's homes was 184 (2009 : 197). All members of staff earned less than £60k during the financial year.

Members of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to December 2010, 20 members claimed a total of £10,387 (2009 £8,293).

4. Staff Pensions

For staff in the Board's homes, pensions are provided through the Church Workers Pensions Fund. Managerial staff are members of the Defined Benefits section of the fund, but as the fund is effectively a pooled arrangement for a wide variety of lay employees of the Church of England, the actuary has advised that it would be very difficult to determine the Board's share of the underlying assets and liabilities of the fund. Consequently he has advised that the arrangement should be treated as a defined contribution scheme for the purposes of the pensions reporting standard FRS 17. In the year contributions of £126k were paid in respect of 15 current members of the fund of which £37k relates to deficit funding.

There are also 15 former members of staff with deferred benefits from the scheme. Other staff in the homes are entitled to pension benefits from the Defined Contributions section of the fund, after a qualifying period of service. In 2010 contributions of £56k were paid in respect of 82 employees. 74 former members of staff have preserved benefits in the scheme. Fuller details of the fund, together with a statement from the actuary are given on pages 55 to 58 and 84 to 85 of this report.

The latest actuarial valuation for the scheme was performed at 31 December 2007. This valuation showed an overall deficit on the scheme of £23.7m. The number of staff whose benefits have been secured through employment with the Charitable Funds was 30 at 31 December 2010. This compares to the total membership of the fund of 7,637.

5. Housing schemes

The Board's charitable funds and trusts provide housing accommodation and mortgage finance for its beneficiaries, under the provisions of The Church of England Pensions Measures 1961 to 2003 and the Ordination of Women (Financial Provisions) Measure 1993.

(a) The greater part of the housing assistance provided since January 1983 is arranged through the Housing Scheme, which was run with the financial support, for capital purposes, of the Church Commissioners until 1 July 2010. The Commissioners provided loan capital to the Board to enable it to finance the purchase of properties and to grant mortgage loans. Such loans carry the right of the Commissioners, on the sale of properties or on the redemption of the mortgages, to share any gains or losses in the values of the relevant properties by reference to the capital sum advanced as a proportion of the initial value of the property. From 29 June 2010 loan facilities have been arranged with the Santander Group through Abbey National Treasury Services PLC.

In addition to these arrangements:

(i) Some Diocesan Boards of Finance have assisted the Board with purchases on similar terms to those made with the Commissioners.

(ii) The Commissioners have continued to finance the pre-1983 mortgage scheme.

(b) At 31 December 2010 the numbers of properties and mortgage loans under administration were:

	Rental Properties Number	Mortgages Number	Shared Ownership Number
Within the 1983 Housing Scheme:			
Santander	28	-	11
Church Commissioners with equity sharing interests	844	1,159	78
Diocesan Boards of Finance and Others with equity sharing interests	44	1	-
The Board with 100% interests	356	23	1
Managed on behalf of other Church bodies	19	-	-
	1,291	1,183	90
Others - non-equity sharing mortgages	-	21	-
	1,291	**1,204**	**90**

(c) The properties let under licence and the mortgage loans receivable and payable, whether under the shared ownership scheme (see pages 21 to 22 for further details), the CHARM scheme for retired clergy or the scheme under the legislation for the ordination of women (OWL), are as follows:

	SHARED OWNERSHIP	CHARM	OWL	2010 TOTAL	2009 TOTAL
Properties	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation 1 January 2010	2,573	105,794	1,979	**110,346**	106,018
Additions in the year	5,654	11,040	-	**16,694**	10,553
Value of donated property	-	-	-	**-**	230
Disposals	(30)	(5,221)	(226)	**(5,477)**	(6,455)
31 December 2010	8,197	111,613	1,753	**121,563**	110,346
Amortisation					
1 January 2010	-	1,040	66	**1,106**	1,057
Charge for the year	-	156	4	**160**	118
Disposals	-	(118)	-	**(118)**	(69)
31 December 2010	-	1,078	70	**1,148**	1,106
Net book value 31 December 2010					
Freehold	8,197	100,230	1,327	**109,754**	98,647
Leasehold	-	10,305	356	**10,661**	10,593
	8,197	110,535	1,683	**120,415**	109,240
Mortgages receivable					
Mortgage loans 31 December 2010	-	60,893	-	**60,893**	64,594
	8,197	171,428	1,683	**181,308**	173,834
Mortgages payable					
Loans from Church Commissioners (note 12)					
Property let under licence	-	71,068	1,617	**72,685**	70,104
Mortgage loans/Shared Ownership	7,131	57,071	-	**64,202**	65,654
	7,131	128,139	1,617	**136,887**	135,758

(d) The Board annually makes a general valuation review of all properties (including those owned by Trusts) and mortgage loans. The basis of the valuation is open market value, assuming vacant possession (at the date of disposal or redemption), using original cost increased in line with building society indices, less 15% to allow for the fact that the properties are occupied and could not be sold with vacant possession.

The review made as at 31 December 2010 gave an approximate value for all properties and mortgage loans of £350 million (2009 £349 million), compared with their net book value of £181 million (2009 £174 million). Summary details are:

	Book Value	Estimated Market Value
	£M	**£M**
Freehold and leasehold properties	112	224
Shared Ownership	8	7
Mortgage loans	61	119
	181	**350**
Financed by:		
Church Commissioners	138	266
Board and others	43	84
	181	**350**

(e) The operating deficit in respect of the properties let under licence is met almost completely by a grant from the Archbishops' Council. However, this does not take account of the income and expenditure for the properties owned by the Board's Trusts and amortisation of leasehold properties funded by Church Commissioners' loans, nor is any allowance made for interest on the capital invested in the schemes by the Board.

	CHARM £'000	OWL £'000	2010 TOTAL £'000	2009 TOTAL £'000
Properties let under licence				
Direct expenditure				
Repairs and maintenance	(2,852)	(5)	**(2,857)**	(2,433)
Water, insurance, management fees and general expenses	(1,669)	(51)	**(1,720)**	(1,439)
Administration and management charge (page 87)	(871)	(19)	**(890)**	(937)
Amortisation	(10)	(4)	**(14)**	(50)
	(5,402)	(79)	**(5,481)**	(4,859)
Interest on loans	(4,150)	(89)	**(4,239)**	(3,439)
	(9,552)	(168)	**(9,720)**	(8,298)
Income				
Residents' maintenance contributions	5,164	78	**5,242**	5,093
Grant from Archbishops' Council (note 13)	3,223	-	**3,223**	3,074
Interest subsidy from Archbishops' Council (note 13)	181	-	**181**	101
Subsidy from Church Commissioners (note 13)	-	104	**104**	99
Subsidy from Church Army (note 13)	23	-	**23**	22
Net surplus/ (cost) to the Board	(961)	14	**(947)**	91
Mortgage loans				
Interest payable	(3,584)	-	**(3,584)**	(3,716)
Contributions to borrowers' fees	(57)	-	**(57)**	(68)
Administration and management charge (page 87)	(240)	-	**(240)**	(749)
	(3,881)	-	**(3,881)**	(4,533)
Interest receivable	3,414	-	**3,414**	3,584
Net (expenditure)	(467)	-	**(467)**	(949)

6. Freehold nursing home and residential schemes

(a) Capital values.

A summary of the movements for the year is as follows:-

	Land	Buildings	Fixtures and Fittings	Total
	£'000	£'000	£'000	£'000
Cost or valuation at 1 January 2010	4,371	16,714	3,034	**24,119**
Additions in year	-	90	-	**90**
Re-valuation and provisions	-	-	(6)	**(6)**
Cost or valuation at 31 December 2010	4,371	16,804	3,028	**24,203**
Amortisation at 1 January 2010	-	(1,705)	(2,476)	**(4,181)**
Provision for year	-	(438)	(149)	**(587)**
Amortisation at 31 December 2010	-	(2,143)	(2,625)	**(4,768)**
At cost	-	-	16	**16**
At valuation	4,371	14,661	387	**19,419**
Net book value at 31 December 2010	4,371	14,661	403	**19,435**
Net book value at 31 December 2009	4,371	15,009	558	**19,938**

(b) Revenue costs

The local costs, including staff costs, of running the Board's residential schemes and nursing home are borne by both the Charitable Funds and residents of the residential schemes (in the form of service charges) and were as follows:

	2010	2009
	£'000	£'000
Expenditure in schemes/nursing home of the Board		
Staff costs	**(2,587)**	(2,813)
Food	**(371)**	(363)
Repairs, maintenance and other costs	**(1,054)**	(1,186)
Administration expenses (page 87)	**(880)**	(1,029)
Amortisation of fixtures and fittings	**(753)**	(555)
	(5,645)	(5,946)
Contributions to beneficiaries' fees in other homes	**(60)**	(85)
	(5,705)	(6,031)
Income		
Fees receivable	**4,508**	4,097
Net cost	**(1,197)**	(1,934)

The average number of staff employed at the schemes/home during the year was 184 (2009 - 197), of whom 85 (2009 - 68) were full-time (working more than 30 hours per week).

7. Investments of Charitable Funds and Trusts

As at 31 December 2010, the investments of the Charitable Funds and Trusts comprised the following:-

	2010	2009
	£'000	£'000
At 1 January	**28,265**	26,130
Disposals	**(999)**	(801)
Net gain on revaluation	**2,277**	2,936
Total	**29,543**	28,265

The Investments are held as:		
CBF Investment Funds	**29,099**	27,823
The Charities Official Investment Fund units	**156**	133
UK Government stock	**17**	19
Property	**271**	290
Total	**29,543**	28,265

The CBF Investment Funds are held within the CBF Church of England funds managed by CCLA Investment Management Ltd.

As the Board intends to dispose of the investment properties during the next year it was not considered appropriate to incur costs to obtain valuations.

Income from investments and deposits was as follows:

	2010	2009
	£'000	£'000
Dividends receivable from investments	**1,307**	1,293
CBF deposit interest	**-**	1
Rental income	**32**	8
Bank interest	**8**	10
Total	**1,347**	1,312

8. Office equipment

	Total
	£'000
Cost at 1 January 2010	
Transfer	**830**
Cost at 31 December 2010	**830**
Amortisation at 1 January 2010	**-**
Transfer	**(166)**
Provision for year	**(166)**
Amortisation at 31 December 2010	**(332)**
Net book value at 31 December 2010	**498**

The above reflects the transfer on 1 January 2010 from Administration Expenses (page 89, note 3) to The Charitable Funds of the implementation costs and depreciation to date of SAP. The asset is being depreciated over five years.

9. Other resources expended

	2010 £'000	2009 £'000
Refinancing	**667**	-
Restructuring	**495**	-
	1,162	-

(a) The refinancing costs involved in arranging loan facilities with Santander (note 5(a)) were £1,150,000 of which the 1% arrangement fee of £500,000 was capitalised and is amortised over 15 years commencing July 2010 (2010 £17k).

(b) Costs of £495,000 associated with restructuring were recharged from Administration Expenses (page 89, note 7)

10. Current assets

	Consolidated		Charity	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade debtors	**1,420**	4,993	**1,408**	5,022
Other debtors	**997**	106	**912**	70
Subsidiary companies	**-**	-	**9,720**	10,307
Total	**2,417**	5,099	**12,040**	15,399

11. Creditors – amounts falling due within one year

	Consolidated		Charity	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade creditors	**4,764**	4,192	**4,746**	4,039
Other creditors	**139**	1,128	**52**	513
Total	**4,903**	5,320	**4,798**	4,552

12. Creditors – amounts falling due after more than one year

	2010 £'000	2009 £'000
Loans from Church Commissioners (see note 5c)	**136,887**	135,758
Loans from Santander	**2,500**	-
Other creditors	**1,605**	877
Total	**140,992**	136,635

A loan facility of £50 m was arranged with Santander through Abbey National Treasury Services PLC and is secured by fixed charges over certain housing properties owned by the Board. Repayment terms apply from the 10th anniversary of the arrangement of the loan facility (29 June 2020), such that the borrowings are fully repaid by the 15th year. An initial drawdown of £2.5 m was made in 2010, secured against 118 Board owned properties with an occupied valued of £20.7m. Interest chargeable was 0.7% above LIBOR.

13. Grants receivable and subsidies

The analysis of grants receivable and subsidies was as follows:	2010 £'000	2009 £'000
Grant from Archbishops' Council for:		
Properties let under licence (note 5(e))	**2,069**	2,157
Contribution towards administration costs	**1,154**	917
	3,223	3,074
Contributions by Church Commissioners to grants	**164**	189
Contributions by Church Commissioners to administration costs	**19**	20
Contributions by Church Commissioners to OWL property costs	**85**	79
Contributions by Archbishops' Council towards rented property interest costs	**181**	101
Subsidy from the Church Army	**23**	22
Total	**3,695**	3,485

14. Statement of funds

	1 January 2010 £'000	Incoming resources £'000	Outgoing resources £'000	Other movements £'000	31 December 2010 £'000
Charity					
Unrestricted	91,129	19,817	(18,714)	2,277	**94,509**
Restricted	-	2,847	(2,585)	-	**262**
Total	91,129	22,664	(21,299)	2,277	**94,771**
Consolidated					
Unrestricted	91,139	20,412	(19,310)	2,277	**94,518**
Restricted	-	2,847	(2,585)	-	**262**
Total	91,139	23,259	(21,895)	2,277	**94,780**

Represented by:	Unrestricted funds £'000	Restricted funds £'000	2010 Total funds £'000	2009 Total funds £'000
Tangible fixed assets	201,241	-	**201,241**	193,772
Investments	29,543	-	**29,543**	28,265
Current assets	9,629	262	**9,891**	11,057
Current liabilities	(4,903)	-	**(4,903)**	(5,320)
Long term liabilities	(140,992)	-	**(140,992)**	(136,635)
Total net assets	94,518	262	**94,780**	91,139

Unrestricted funds

These funds represent the unrestricted funds of The Church of England Pensions Board for general use in meeting the Board's responsibilities which are not designated for any particular purpose

Transfers from unrestricted to restricted funds:

There were no transfers between unrestricted and restricted funds (2009: £1,001k).

Restricted funds

These are funds which represent the income and cost of service charges for the residential housing schemes and the shared ownership scheme for which the Board acts as Trustee for the residents of these schemes.

15. Subsidiary companies

These financial statements include the financial statements of two subsidiary companies, CEPB Developments Ltd, the share capital of which is 100% owned by the Board and CEPB Mortgages, a company limited by guarantee. They have been consolidated line by line with those of the General Purposes Fund.

In the year to 31 December 2010 the companies had a combined turnover of £594k (2009 £483k) and made £nil (2009 loss of £5k).

The following net assets have been consolidated as at 31 December 2010.

	CEPB Mortgages Ltd	CEPB Developments Ltd	2010 Total	2009 Total
	£'000	£'000	£'000	£'000
Tangible fixed assets	9,632	-	**9,632**	10,072
Current assets	211	37	**248**	371
Current liabilities	(1)	(37)	**(38)**	(52)
Long term liabilities	(9,833)	-	**(9,833)**	(10,381)
Total net assets	9	-	**9**	10

16. Capital commitments

At 31 December 2010 the following expenditure has been sanctioned but not spent:

Housing Schemes (principally financed by the Church Commissioners):	Sanctioned and committed	Sanctioned but not committed
	£000	£000
Freehold and leasehold property	372	1,973

The Board is a Registered Charity No. 236627.

The Church of England Pensions Board Pension Funds

The Pensions Board has been administering pension provisions for the clergy since its establishment in 1926 by the Church Assembly.

These powers were subsequently widened so that the Pensions Board now acts as -

- Administrator of the clergy pensions scheme and trustee of the fund providing benefits in respect of service from 1 January 1998;
- Trustee and administrator of
  - the Clergy (Widows and Dependants) Pension Fund
  - the Church Workers Pension Fund
  - the Church Administrators Pension Fund
- Administrator under the Ordination of Women (Financial Provisions) Measure 1993.

In these roles, the Board acts for over 32,000 members across more than 250 sponsoring employers.

The Church of England Funded Pensions Scheme (CEFPS)

Introduction

The funded scheme commenced on 1 January 1998 for the purpose of providing pensions and associated benefits for clergy and others in the stipendiary ministry. Pension benefits arising from service prior to 1998 continue to be financed wholly by the Church Commissioners. Those with periods of pensionable service both before and after the commencement of the CEFPS receive a single pension payment each month. The relevant parts are, however, identified and accounted for separately.

The volatility in markets and difficult economic climate led the Archbishops of Canterbury and York to reconvene the Pensions Task Group in 2009. Their task was to consult stakeholders to ensure that adequate provision for the retired clergy was made in a manner that was financially sustainable in the long term. Their recommendations were accepted by the Archbishops' Council and by the General Synod in February 2010. The recommended changes to benefits for future service were subject to a statutory consultation period with scheme members, following which the Archbishops' Council made certain amendments.

In July 2010, the General Synod approved a package of changes to the future service benefits under the scheme. These changes, outlined below, took effect on 1 January 2011.

- A rule change was approved whereby the scheme would be contracted into the State Second Pension Scheme (S2P). Clergy would therefore receive S2P in addition to the Basic State Pension. As a consequence, the full pension was reduced from two-thirds of National Minimum Stipend (NMS) to half of NMS for future service. Members would thereby earn a smaller scheme pension but a higher State pension for future service. It was calculated that this change would, for most clergy, have a broadly neutral effect on total pension entitlement from all sources.
- The pension age for future service was increased from 65 to 68.
- The accrual period for future service was changed to 41.5 years rather than 40 years.
- In the context of wider ill-health proposals endorsed by the General Synod in February 2010, the scheme rules were amended so that, in future, the standard ill-health retirement pension would be based, without reduction for early payment, on completed years of service plus a graduated enhancement calculated according to prospective service to retirement age.
- Pension rights in relation to civil partners would be equal to those of spouses.

A number of other amendments reflecting changes in legislation and other minor issues were made at the same time.

A full copy of the scheme rules is available on request.

Benefits

Changes to the rules of the scheme affected the "maximum benefits" which members could expect to receive for a full service pension on retirement. For members who were able to complete the full service before their scheme retirement age, the position was –

- Members who had completed full service before 1 January 2011 were entitled to a maximum pension of two-thirds of NMS;
- Members who joined on or after 1 January 2011 and completed full service will be entitled to a maximum pension of half of NMS;
- All other members will receive a maximum pension of somewhere between these two proportions of NMS dependant on the proportion of service completed before and after 1 January 2011.

The following table summarises the maximum benefits payable at scheme retirement ages to members in the first two categories, together with the figures for 2010.

Full service pension	**1 April 2011 (1/2 of NMS)**	**1 April 2011 (2/3 of NMS)**	**1 April 2010 (2/3 of NMS)**
Archbishops of Canterbury and York	20,430	27,240	26,972
Bishop of London	18,387	24,516	24,275
Other diocesan bishops	15,323	20,430	20,229
Suffragan bishops, deans and archdeacons	12,769	17,025	16,857
All clergy, other than those mentioned above, deaconesses and licensed lay workers	10,215	13,620	13,486
Full service retirement lump sum (3 x basic pension)	30,645	40,860	40,458
Surviving spouse or civil partner pension on death in service (2/3 of member's prospective pension)	6,810	9,080	8,991
Lump sum on death in full time pensionable service before age 65 (3 x NMS for previous year)	61,290	61,290	60,690

The length of service required to achieve full benefits under the scheme rose from 37 years to 40 years on 1 January 2008 and to 41.5 years on 1 January 2011. The change only affected the accrual of future service benefits from those dates.

Pension Increases

The rules of the CEFPS, and the regulations governing the previous arrangement funded by the Church Commissioners, provide that increases will be at the rate of the change in the Retail Prices Index (RPI) up to 5% in respect of benefits from service prior to 1 January 2008 and RPI up to 3.5% in respect of benefits from service from 1 January 2008 onwards. The change in RPI for the period September to September is the reference period for increases in the CEFPS.

The increase in RPI for the year to September 2010 was 4.6%. Pensions in payment on 1 April 2011 increased therefore by 4.6% for service prior to 1 January 2008 and by 3.5% for service thereafter.

In the light of the recommendations of the Archbishops' Pensions Task Group, the Archbishops' Council, acting as the Central Stipends Authority, has agreed to adopt a policy that the NMS, upon which the pension is based, will, in future, increase on average in line with annual changes in the Retail Prices Index (RPI), subject to the need to review the position if high levels of inflation established themselves and again once the deficit on the pension scheme had been cleared.

Benefits Payable

The total benefits payable under the CEFPS in 2010 were £18.8m (£18.1m in 2009). A further £113.5m was paid by the Church Commissioners in respect of pensionable service up to 31 December 1997.

Membership Statistics

	At 31 December 2010	At 31 December 2009	% Change
Active Members	*8,884*	*8,954*	*-0.8%*
Deferred Members (ie, scheme members below retirement age but not in pensionable service)	1,778	1,757	1.2%
Pensions in payment*	9,554	9,318	2.5%
Receiving benefits under the post-1997 CEFPS scheme	*4,470*	*4,152*	*7.7%*
Retired at or after the pension age	*6,115*	*5,972*	*2.4%*
Retired on disability pension	*1,480*	*1,464*	*1.1%*
Retired on reduced pension	*1,959*	*1,882*	*4.0%*
Widow(er)s pensions in payment	*3,997*	*3,990*	*0.0%*

*Total number of clergy pensioners receiving pensions from both the CEFPS and the pre-1998 scheme.

Death benefits

These lump sum benefits, introduced in 1988, are payable in three circumstances, as set out in the table below. The number of deaths in 2010 was marginally below the ten-year average of 20.7 per annum.

	2010	2009
Death in service under pension age	15	13
Death in service over pension age	2	1
Death after disability retirement	3	2
Total	20	16

Actuarial valuation and contributions

The last triennial valuation of the scheme was carried out as at 31 December 2009 and completed during the course of 2010. The actuarial statement and certificate are set out in Appendix 1.

The valuation revealed that the scheme's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £867m at the valuation date, compared with a market value of assets of £605m. There was therefore a deficiency of £262m.

In reaching its decision on the contribution rate, the key points taken into account by the Board were –

- The modifications to the benefit structure of the scheme implemented on 1 January 2011;
- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long term, stipends will increase by the increase in the Retail Prices Index;
- In view of the scheme's increasing maturity, a further de-risking of the investment strategy which in effect moves the fund from being invested 100% in return-seeking assets to a 60:40 split between liability matching assets and return-seeking assets being achieved linearly by the end of 2029.
- The expected rate of return on equities being 5.9% per annum and the return on gilts being 4.4%.

The Board set the "recovery period" (the period over which the identified deficit is targeted to be eliminated) at 12 years, ie, the balance of the original 15 year period set in 2007.

The contribution rate was set at 38.2% of the pensionable stipend from 1 January 2011. An interim contribution rate of 45% had been set from 1 January 2010 pending completion of the work of the Archbishops' Pensions Task Group and the conclusion of the actuarial valuation exercise.

In monetary terms, for a member accruing benefits at the basic rate, the pension contribution is

- £8,838 per annum from 1 January 2010 to 31 March 2010
- £9,103 per annum from 1 April 2010 to 31 December 2010
- £7,728 per annum from 1 January 2011 to 31 March 2011
- £7,804 per annum from 1 April 2011

The change in monetary terms is a function of both the change in the contribution rate and the rise in the National Minimum Stipend.

The next full actuarial valuation of the Scheme will be carried out as at 31 December 2012.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's actuaries.

With effect from 1 April 2009, the Board ceased accepting transfers into the Scheme.

Financial Review

Total contributions for the year amounted to £81.8m. There are 190 "Responsible bodies" participating in the scheme of which 174 pay by direct debit. During the year there were thirteen delays in payment of contributions but none that was considered serious enough to warrant a report being made to the Pensions Regulator.

Transfers out of the Scheme totalled £1.2m.

The value of the fund at the year end was £755.5m (£617.6m in 2009).

The Scheme's assets are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions. The CEFPS held 100% of its assets in the return-seeking pool comprising equities, property unit trusts, active currency, corporate bonds and cash.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 62 to 64.

Members' voluntary contributions

Voluntary contributions are not invested in the pooled investment fund; they are invested separately. The vehicles offered are chosen in the light of professional advice with particular regard being given to investment performance and the level of administration costs as well as the financial strength of the provider.

The position was reviewed by both the Investment Committee and the Board during the course of 2010.

During 2010, new contributors could choose from a range of fund options offered by both Legal and General Assurance Society Limited and the Prudential Assurance Company Limited.

The Board is keen to provide a modern AVC arrangement that is flexible and offers appropriate investment choices. This includes options to reduce investment risks and volatility of fund values as members approach retirement. As a result of the review, the Legal & General Assurance Society Limited ('L&G') has been selected as the sole AVC provider for future contributions received after 1 April 2011. Members will have greater access to information about their AVC account and greater control over how they manage their AVC investments. The new arrangement also provides a wider range of investment choices:

- a core lifestyle arrangement with two options including ethically invested funds; and
- a menu consisting of a more comprehensive range of UK and global passively managed funds including both UK and global ethically invested funds, balanced equity funds, corporate bond funds, gilts funds, and a cash fund.

The changes took effect on 1 April 2011.

All new members are sent details of the voluntary contribution arrangements. Whilst current take-up under the old arrangements has been small in recent years, it is hoped that the new arrangements and greater choice offered will lead to greater take up by members.

The fund providers produce annual statements which are passed on to the individual members. At the end of 2010, 1,018 had contributions invested under the voluntary arrangements of whom 457 were current contributors.

Supplementary pensions

At 31 December 2010 there were 208 supplementary pensions in payment to pensioners on low incomes compared with 221 in 2009. The total amount in payment at the year end was £442,000 (£445,000 in 2009). The cost of this provision continued to be met by the Church Commissioners.

Communication with Scheme Members

All new entrants are sent a booklet introducing the Scheme to them. Benefit statements outlining individual prospective retirement benefits are issued each year to all members. Copies of benefit statements and the current booklet are available on request, as is information about the benefits payable on retirement at different ages.

Pensioners receive a letter outlining the basis of increases to pensions in payment, together with a note of their own revised pension.

Some theological colleges organise meetings on financial matters, and some dioceses arrange such meetings and also hold pre-retirement seminars. Whilst senior staff are unable to offer financial advice, they do take part in these meetings to outline the retirement provisions under the scheme.

In early 2011, the Church of England's website (www.churchofengland.org) was re-launched. Copies of booklets and information about the Scheme are available to download from the new site.

The Board is always considering further ways of improving communication with scheme members.

The Clergy (Widows and Dependants) Pension Fund (CWDPF)

The widows fund was closed to new entrants in 1967 and contributions terminated in 1988. At the end of the year, there were 1,250 pensions in payment (1,288 in 2009).

As a result of the actuarial valuation as at 31 December 2009 it was possible to increase pensions and prospective benefits by 3.75% with effect from January 2011. The maximum pension payable under the scheme to the widow of a member ordained after 1947 is now £1,405 per annum.

The next valuation of the Fund will be carried out as at 31 December 2012.

Financial Review

Given that this is a closed scheme, no contributions were received during the year. The total benefits payable in 2010 were £1.5m (£1.5m in 2009).

The value of the fund's assets at the year end was £24.1m (£23.4m in 2009).

The Scheme's investment strategy is to hold 60% of its assets in the return-seeking pool comprising equities, property unit trusts, active currency, corporate bonds and cash, and 40% in index-linked securities and other deposit funds.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 65 to 66.

Ordination of Women (Financial Provisions) Measure

The Ordination of Women (Financial Provisions) Measure came into effect in February 1994. The Board was appointed to administer the provision "as to the relief of hardship incurred by persons resigning from ecclesiastical service by opposition to the ordination of women as priests, and for connected purposes", and authorised the Church Commissioners to meet the costs.

The Measure defined those who are entitled to apply for three types of pension –

- Housing assistance
- A resettlement grant
- Periodical payments, of specified duration and amount.

It also contained discretionary powers covering the possibility either of additional payments to those eligible for the specific provisions or of payments to those not so eligible. Applications for assistance had to be made by 21 February 2004.

Payments under the Measure cease, in accordance with its provisions, as a result of:

- income from new employment,
- reaching pension age, or
- expiry of the period determined by the stated formula.

At 31 December 2010, of the 441 cases set up since the Measure came into effect, eight still receive periodical payments.

The housing assistance under the Measure is the same as that available in the Board's CHARM scheme. The numbers seeking assistance with alternative accommodation have continued to be at a low level. When the individual starts to draw his Church pension, he is transferred to the CHARM scheme. On death, his widow would continue to be housed under the CHARM scheme.

In the course of the year, three properties were sold under the scheme. In 2010 a revenue shortfall of £85,000 resulting from the subsidy arrangements under the scheme was met by the Church Commissioners.

Church Workers Pension Fund (CWPF)

Introduction

The Scheme was introduced in 1953 and operates as a centralised occupational pension scheme. There are two distinct sections –

- Defined benefits; and
- Defined contributions.

The overall number of employers remained constant at 228, although the numbers participating in each section changed: 40 participated in the defined benefits section, 139 in the defined contributions section, and 49 in both.

Employers include diocesan boards of finance, cathedral chapters, mission agencies and others connected with the ministry and mission of the Church of England.

Scheme Rules

During 2010, the Board made a rule change to deal with Section 75 of the Pensions Act 1995 (as amended). This piece of legislation has the effect that an employer participating in the scheme cannot walk away from its liabilities. The Board approved changes to put in place a "scheme apportionment policy" which separates the defined benefits and defined contributions sections for this purpose.

A full copy of the scheme rules is available on request.

Benefits

Under the defined benefits scheme, employers have some flexibility as to the benefit structure they provide.

Those selecting the defined contributions scheme choose the level of contributions paid. Such contributions provide an amount of pension payable at the member's normal pension age (a "deferred annuity") calculated using conversion tables provided by the actuary. Bonuses are added from time to time depending on the investment returns earned by the fund.

Pension Increases

Defined Benefits Scheme

The defined benefits scheme provides a guarantee that pensions will increase in line with limited price indexation (LPI), with a further provision for discretionary increases up to the full rise in RPI, if the financial position of the fund permits. Benefits arising from service prior to April 2006 increase in line with RPI up to 5%. Benefits arising from service from April 2006 increase in line with RPI up to 2.5%, except that some participating employers have specifically opted to retain the 5% cap.

The increase in the RPI for the year to September 2010 was 4.6%. Pensions in payment on 1 January 2011 increased therefore by 4.6% for service prior to April 2006 and by 2.5% for service thereafter; except where the participating employer had decided specifically not to limit increases to 2.5%, where the increase was 4.6% for all service.

Defined Contributions Scheme

The defined contributions scheme provides increases to pensions in payment in the form of bonuses as decided by the Board. Certain benefits though carry guarantees depending on the period during which contributions were received. For contributions received between April 1997 and March 2006 pensions increase in line with RPI up to 5%. Pensions from contributions received from April 2006 increase in line with RPI up to 2.5%. No guarantees apply for pensions from contributions received before April 1997 or for deferred pensions.

In the light of advice received from the actuary following an improvement in the funding position of the Scheme, the Board decided that a bonus of 2% as at 1 January 2011 could be awarded where no guarantee applied. A bonus of 2% had previously been awarded from 1 January 2010, and no bonuses had been awarded for the previous four years.

Increases for pensions in payment arising from contributions paid were therefore as follows -

- Prior to April 1997 2.0%
- Between April 1997 and March 2006 4.6%
- From April 2006 onwards 2.5%

Deferred pensions for members who have not yet retired were increased by 2% from 1 January 2011.

Benefits payable

The total benefits payable under the CWPF were £10.6m (£10.7m in 2009).

Membership statistics

Details of the membership of CWPF at 31 December 2010 are set out in the table below, together with details at December 2009 for comparative purposes.

	At 31 December 2010	At 31 December 2009	% Change
Active Members	2,434	2,482	-1.9%
Deferred Members (ie, scheme members below retirement age but not in pensionable service)	2,659	2,604	2.1%
Pensions in payment	2,544	2,562	-0.7%

Over the past ten years, the total membership has increased by approximately 40%.

Actuarial Valuation

The last triennial valuation of the scheme was carried out as at 31 December 2007. The actuarial statement and certificate are set out in Appendix 1.

In reaching its decisions regarding the funding of the Scheme, the key points taken into account by the Board were:

- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long term, future salary increases will be in line with the increase in Retail Prices Index plus 1.75%;
- A reduction in the real rate of return from gilt-edged stocks.

The next full actuarial valuation of the Scheme is being carried out as at 31 December 2010.

Defined Benefits Scheme

The Board's objectives for the defined benefits scheme's valuation are to set an appropriate future contribution policy for the employer sub-sections and to ensure that there are sufficient assets attributed to the Life Risk Pool.

The valuation revealed that the Defined Benefits Scheme's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £200.3m at the valuation date, compared with a market value of £176.6m. There was therefore a deficiency of £23.7m.

The Board agreed "recovery periods" (the period over which the identified deficit is targeted to be eliminated) with each participating employer. Whilst the majority of employers agreed for a recovery period of 5 years, a 10 year period was agreed with a small number of employers and a 15 year period with one employer, each case being considered on its merits.

The deficit in the Life Risk Pool, from which pensions in payment are made, was £5.5m. The bulk of this deficiency was rectified by making a levy on each participating employer's section, related to the amounts transferred to the Life Risks Section in respect of members who have retired.

Contribution rates were revised and implemented from 1 January 2009.

Defined Contributions Scheme

The Board's key objectives for the Defined Contributions Scheme valuation are to set appropriate policies for granting future bonuses and for setting premium rates.

The valuation revealed that the Defined Contributions Scheme's "technical provisions" amounted to £61.32m at the valuation date, compared with a market value of £61.36m. There was therefore a very small surplus.

The technical provisions in respect of the Defined Contributions Scheme are calculated on a basis which allows for future bonuses in line with price inflation to be awarded. In the light of further advice from the Scheme's Actuary, the Board felt that it was possible to award a bonus of 2% from 1 January 2011.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's actuaries.

With effect from 1 April 2009, the Board had generally ceased accepting transfers into the Scheme.

Financial Review

Total contributions for the year amounted to £15.7m. There are 228 employers participating in the scheme of which 212 pay by direct debit.

One employer, the Church Army, withdrew from the fund resulting in a bulk transfer out payment of £3.2m; other transfers totalled £0.2m.

The value of the fund at the year end was £289.9m (£258.7m in 2009).

The Scheme's assets are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions.

Each section of the CWPF aims to hold its assets in the following proportions:

	Return-Seeking Pool	Liability-Matching Pool
Defined Benefits Scheme (employer section)	100%	
Defined Benefits Scheme (Life Risk Section)	25%	75%
Defined Contributions Scheme	75%	25%

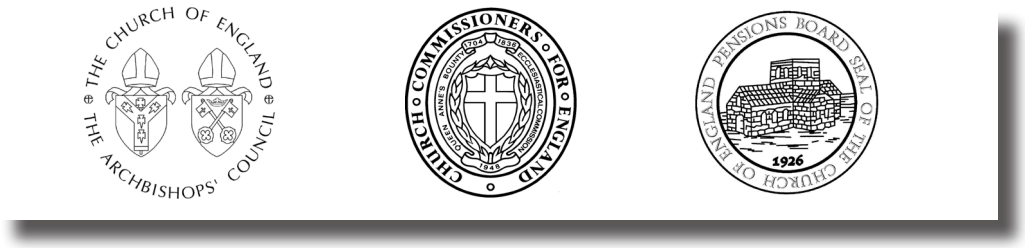
Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 67 to 68.

Church Administrators Pension Fund (CAPF)

Introduction

This scheme was established in 1985 to provide pensions for the lay staff of the General Synod.


THE CHURCH OF ENGLAND
THE ARCHBISHOPS' COUNCIL
CHURCH COMMISSIONERS FOR ENGLAND
PENSIONS BOARD SEAL OF THE CHURCH OF ENGLAND
1926

With effect from 1 January 2000, the staff of the national church bodies and episcopal staff who had previously been covered under the Church Commissioners Superannuation Scheme (CCSS) were transferred to this fund. All liabilities in respect of benefits payable from their pensionable service up to 31 December 1999 remain with the Church Commissioners.

There are two distinct sections –

- Defined Benefits; and
- Defined Contributions.

The defined benefits section of the CAPF was closed to new entrants with effect from 1 July 2006.

New staff who wish to join the scheme are offered membership of the defined contributions section. The funds are managed by Legal & General and the scheme is administered in-house.

Scheme Rules

Following a consultation exercise, the Board approved a number of changes to the scheme rules in relation to the Defined Benefits Section for future service with effect from 1 July 2010 –

- Replacing the final salary arrangement with one based on career average earnings;
- Future service being on the basis of a pension only, with an accrual rate of 1/125th per year, giving members the option of commuting part into a lump sum up to Inland Revenue limits; and
- Contracting the Scheme into the State Second Pension Scheme (S2P). Members would receive S2P in addition to the Basic State Pension. As a consequence of the change to the accrual period, members would earn a smaller scheme pension but a higher State pension for future service.

Benefits

The CCSS was a replica of the Principal Civil Service Pension Scheme, and that basis continues to be applied for calculating benefits for the members who transferred from CCSS for service to 31 December 2007. For other members of the defined benefits section of the scheme the basis of benefits reflects the CCSS with some relatively minor differences of detail for service up to 31 December 2007.

In 2008 the scheme's normal pension age was increased from 60 to 65 for service from 1 January 2008.

Pension Increases

Increases to pensions in payment in the CAPF were complicated by the announcements of the Government on the change of indexation for public sector pension schemes. Increases to pensions for those previously in the CCSS were in line with increases in Principal Civil Service Pension Scheme. This had previously been in line with RPI, but the Government amended this to the Consumer Prices Index (CPI).

The increase in RPI in the year to September 2010 was 4.6%; CPI increased by 3.1% for the same period.

The evolution of the scheme also made the pension increases complex. For those members of the scheme not previously in the CCSS, pension increases are at the discretion of the principal employer, the Archbishops' Council, after discussion with the Board as trustee, having regard to the requirements of primary legislation.

In early 2011, the employers decided that, for pensions arising from service prior to 6 April 1997, the increases for non-CCSS members of the scheme will be on the same basis as for CCSS members, ie, linked to CPI; and that for pensions arising from service between 6 April 1997 and 31 December 2007, former CCSS members' pensions would be increased where necessary on a discretionary basis in line with increases to other members' pensions, ie, by RPI to 5%, but still subject to the discretion to match full RPI if that was affordable.

Accordingly, the following increases were awarded –

- Service prior to 6 April 1997 3.1%
- Service from 6 April 1997 4.6%

Benefits Payable

The total benefits payable under the CAPF were £2.3m (£1.7m in 2009).

Membership Statistics

Details of the membership of the CAPF at 31 December 2010 are set out in the table below, together with details at December 2009 for comparative purposes.

	At 31 December 2010	At 31 December 2009	% Change
Active Members			
• Defined Benefits Section	310	350	-11.4%
• Defined Contributions Section	213	185	15.1%
Deferred Members (ie, scheme members below retirement age but not in pensionable service)	341	333	2.4%
Pensions in payment	370	344	7.5%

Actuarial Valuation

The last triennial valuation of the Scheme was carried out as at 31 December 2008. The actuarial statement and certificate are set out in Appendix 1.

The valuation revealed that the defined benefit section's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £75.2m at the valuation date, compared with a market value of assets of £45m. There was therefore a deficiency of £30.2m.

In reaching its decision on the contribution rate, the key points taken into account by the Board were –

- The modifications to the benefit structure of the defined benefit section to be implemented on 1 July 2010;
- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long term, pensionable salaries will increase by the increase in Retail Prices Index plus 2%;
- The anticipated rate of return on equities being 5.7% per annum in the calculation of the technical provisions and 6.7% per annum in the recovery plan.

The Board set the "recovery period" (the period over which the identified deficit is targeted to be eliminated) at 15 years.

The future service contribution rate was set at 12.4% with effect from 1 July 2010.

In addition to the contributions, the employers participating in the Scheme are paying £2m per annum from 1 July 2010 to 30 June 2025, increasing each 1 January in line with general salary inflation, this sum being made by each employer in proportion to pensionable salaries. The Archbishops' Council are also paying further contributions to 31 December 2016, equal to £184,056 for the calendar year 2010 and adjusted each calendar year in line with price inflation. This relates to the scheme deficit in respect of benefits accrued before 1 January 2000.

The Defined Contributions section has an age-related contribution structure, with the employers contributing between 8% and 15% of pensionable salary depending on the age of the member. In addition to this, for each 1% paid by the member, the employers pay a matching contribution up to a maximum of 3% of pensionable salary.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's actuaries.

With effect from 1 April 2009, the Board ceased accepting transfers into the defined benefits section of the Scheme.

Financial Review

Total contributions for the year amounted to £4.9m.

Transfers into the scheme totalled £0.2m for the year. Transfers out of the CAPF totalled £0.2m.

The value of the fund at the year end was £66.0m at 31 December 2010 (£56.5m in 2009).

The scheme's assets (other than those in relation to the Defined Contributions section) are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions. The CAPF's strategy is to hold 69% of its assets in the Return-Seeking Pool comprising equities, property unit trusts, active currency, corporate bonds and cash, and 31% in the Liability-Matching Pool, consisting mostly of UK Government Bonds.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are set shown in the audited accounts which are set out on pages 69 to 71.

The Church of England Pensions Board

Pension Funds – Financial Statements

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Independent auditors' report to the Church of England Pensions Board

We have audited the accounts of the Church of England Funded Pensions Scheme, the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund, the Church Administrators Pension Fund and the Church of England Investment Fund for Pensions for the year ended 31 December 2010 which comprise the fund accounts, the net assets statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of the Board's Responsibilities, the Board is responsible for the preparation of the accounts and being satisfied that they show a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Board as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the accounts.

Opinion on the accounts

In our opinion:

- the accounts of the Church of England Funded Pensions Scheme, the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund and the Church Administrators Pension Fund show a true and fair view of the financial transactions of these schemes during the year ended 31 December 2010, and of the amount and disposition at that date of their assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- the accounts of the Church of England Investment Fund for Pensions show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2010, and of the amount and disposition at that date of its assets and liabilities;
- the accounts of the Church of England Funded Pensions Scheme, the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund, the

Church Administrators Pension Fund and the Church of England Investment Fund for Pensions have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

- the accounts of the Church of England Funded Pensions Scheme, the Church Workers Pension Fund and the Church Administrators Pension Fund contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995; and
- the accounts of the Clergy (Widows and Dependants) Pension Fund contain the information specified in the SORP "Financial Reports of Pension Schemes".

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 June 2011

The Church of England Funded Pensions Scheme

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
Contributions			
Members			
Additional voluntary		**1,131**	774
Employers			
Normal		**61,653**	60,808
Deficit Funding	4	**18,765**	9,165
Augmentations	4	**245**	249
Transfers in			
Individual		**905**	2,293
		82,699	73,289
Benefits and other outgoings			
Pensions		**(11,011)**	(9,248)
Lump sums			
Retirement		**(7,124)**	(7,975)
Death		**(737)**	(807)
Early Leavers		**(10)**	-
Transfers out		**(1,222)**	(620)
Administration expenses	5, A	**(2,164)**	(1,882)
		(22,268)	(20,532)
Net additions from dealing with members		**60,431**	52,757
Return on Investments			
Bank deposit interest		**10**	45
Appreciation of units in CEIFP	2	**76,240**	94,241
Investment management fees		**(10)**	-
Change in market value of AVCs	3	**1,167**	1,110
Net return on investments		**77,407**	95,396
Net increase in fund during the year		**137,838**	148,153
Net assets at the start of the year		**617,628**	469,475
Net assets at the end of the year		**755,466**	617,628

NET ASSETS STATEMENT AS AT 31 DECEMBER 2010

Investments			
Value of units – In CEIFP	1	**727,754**	606,687
In AVC investments	3	**13,178**	12,315
Investment assets		**740,932**	619,002
Current assets - Debtors	7	**297**	909
Cash		**15,677**	832
Current liabilities - Creditors	8	**(1,440)**	(3,115)
Net assets at the end of the year		**755,466**	617,628

The notes on pages 63 to 64 and 75 to 77 form part of these Accounts
See note 1 on page 75 for the link to the actuarial position

The Church of England Funded Pensions Scheme

NOTES:

A. Administration expenses of the Church of England Pensions Board are charged as shown on page 87 and referred to in note 4 on page 89.

1. The assets of the Church of England Funded Pensions Scheme (CEFPS) are invested in the Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of investments of pension schemes administered by the Board. The proportion of CEIFP units attributable to the Scheme as at 31 December 2010 was 66.39% (2009 : 65.20%).

2. Appreciation and depreciation in the value of units in CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised investment gains and losses, and investment management expenses.

3. The Additional Voluntary Contributions by members are separately invested with the Legal and General Assurance Society Limited, the Prudential Assurance Company Limited, or the Equitable Life Assurance Society.

	Value at 01-Jan-10	Purchases at cost	Sales proceeds	Change in market value	Value at 31-Dec-10
	£'000	£'000	£'000	£'000	£'000
Legal and General	5,816	1,179	(888)	689	**6,796**
Prudential	4,182	428	(592)	394	**4,412**
Equitable Life	2,316	16	(447)	84	**1,969**
	12,314	1,623	(1,927)	1,167	**13,177**
Cash in transit for AVCs	1				**1**
	12,315				**13,178**

4. Deficit funding contributions are payable at the rate of 10.5% p.a. of pensionable stipend in respect of the funding shortfall, from 1 January 2010 to 31 March 2023 in accordance with the agreed recovery plan.

   Augmentations by employers relate to payments to augment the benefits of retiring members £245k (2009 : £249k).

5. The share of the Board's administration expenses relating to clergy pensions, both CEFPS and the arrangements in respect of service prior to 1 January 1998, totalled £2,164k (2009 : £1,882k).

6. This scheme has been approved by HM Revenue & Customs for the purposes of Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988 under reference SF49/100157. Since April 2006, this scheme has been a registered pension scheme for the purposes of Part 4 of the Finance Act 2004.

7. Current assets - Debtors

	2010	2009
	£'000	£'000
Contributions - Employer	**183**	169
Other	**114**	740
	297	909

8. Current liabilities - Creditors

	2010	2009
	£'000	**£'000**
Unpaid benefits	**976**	30
Other	**464**	3,085
	1,440	3,115

9. In addition to the pension benefits disclosed above, the following benefits were paid by the Church Commissioners in respect of service prior to 1 January 1998

	2010	2009
	£'000	**£'000**
Clergy pensions (inc supplementary pensions)	**77,883**	77,390
Widows' and children's pensions	**26,434**	26,650
Lump sums on retirement	**9,230**	6,394
	113,547	110,434

Clergy (Widows and Dependants) Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
Benefits and other outgoings			
Pensions		**(1,450)**	(1,512)
Lump sums on death		**-**	(4)
Net withdrawals from dealing with members		**(1,450)**	(1,516)
Return on Investments			
Appreciation of units in CEIFP	3	**1,779**	2,415
Change in market value		**279**	364
Income from index linked securities		**121**	132
Interest on cash deposits		**7**	51
Investment management fees		**(1)**	(9)
Net return on investments		**2,185**	2,953
Net increase in fund during the year		**735**	1,437
Net assets at the start of the year		**23,420**	21,983
Net assets at the end of the year		**24,155**	23,420

NET ASSETS STATEMENT AS AT 31 DECEMBER 2010

Investments			
Investments	1 & 2	**23,972**	23,394
Current assets - Debtors		**39**	71
Cash		**187**	-
Current liabilities - Creditors		**(43)**	(45)
Net assets at the end of the year		**24,155**	23,420

The notes on pages 66 and 75 to 77 form part of these Accounts
See note 1 on page 75 for the link to the actuarial position

Clergy (Widows and Dependants) Pension Fund

NOTES:

1. The analysis of the fund's investments is as follows:

	Value at 01-Jan-10 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31-Dec-10 £'000
Units in Church of England Investment Fund for Pensions (CEIFP)	15,521	1,107	-	1,779	**18,407**
Index-linked securities (UK quoted)	5,558	-	(1,282)	279	**4,555**
	21,079	1,107	(1,282)	2,058	**22,962**
Investment funds on deposit	2,315				**1,010**
	23,394				**23,972**

2. The proportion of the CEIFP units attributable to the Fund as 31 December 2010 was 1.68% (2009 : 1.67%).
3. Appreciation and depreciation in the value of the units in the CEIFP takes account of investment income, including tax recoverable and income due but not yet received, as well as realised and unrealised investment gains and losses and investment management expenses.
4. This fund is now a closed fund. No pension scheme contributions have been receivable since 1 December 1988.
5. The administration costs in relation to the fund have not been separately identified from those of the Church of England Funded Pensions Scheme and are borne by that fund.
6. This scheme has been approved by HM Revenue & Customs for the purposes of Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988 under reference SF49/100157. Since April 2006, this scheme has been a registered pension scheme for the purpose of Part 4 of the Finance Act 2004.

Church Workers Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2010 £'000	2009 £'000
Contributions					
Members					
Normal		404	352	**756**	752
AVCs	3	544	-	**544**	413
Employers					
Normal		2,376	8,151	**10,527**	10,954
Deficit Funding	4	-	3,701	**3,701**	8,085
Augmentation	4	5	142	**147**	221
Transfers in					
Individual		9	-	**9**	522
		3,338	12,346	**15,684**	20,947
Payments					
Pensions		(3,145)	(5,126)	**(8,271)**	(7,954)
Lump sums					
Retirement		(340)	(1,923)	**(2,263)**	(2,582)
Death		(15)	(13)	**(28)**	(138)
Early Leavers		(4)	(11)	**(15)**	(11)
Transfers out - individual		(170)	(46)	**(216)**	(785)
group		(856)	(2,365)	**(3,221)**	-
Administration expenses	A	(378)	(493)	**(871)**	(896)
		(4,908)	(9,977)	**(14,885)**	(12,366)
Net (withdrawals)/additions from dealing with members		(1,570)	2,369	**799**	8,581
Return on Investments					
Bank deposit interest		1	3	**4**	22
Appreciation of units in CEIFP	2	6,955	23,370	**30,325**	34,159
Net return on investments		6,956	23,373	**30,329**	34,181
Net increase in fund during the year		5,386	25,742	**31,128**	42,762
Net assets at the start of the year		63,319	195,409	**258,728**	215,966
Net assets at the end of the year		68,705	221,151	**289,856**	258,728

NET ASSETS STATEMENT AS AT 31 DECEMBER 2010

Investments					
Value of units	1	68,701	219,157	**287,858**	259,891
Current assets - Debtors	6	254	907	**1,161**	1,300
Cash		(25)	1,210	**1,185**	(1,321)
Current liabilities - Creditors	7	(225)	(123)	**(348)**	(1,142)
Net assets at the end of the year		68,705	221,151	**289,856**	258,728

The notes on pages 68 and 75 to 77 form part of these Accounts
See note 1 on page 75 for the link to the actuarial position

Church Workers Pension Fund

NOTES:

A. Administration expenses of the Church of England Pensions Board are charged as shown on page 87 and referred to in note 4 on page 89.

1. The assets of the fund are invested in The Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of the investments of pension schemes administered by the Board. The proportion of the CEIFP units attributable to the fund as at 31 December 2010 was 26.26% (2009 : 27.11%).
2. Appreciation and depreciation in the value of units in the CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised gains and losses and investment management expenses.
3. The Additional Voluntary Contributions Scheme operates on a deferred annuity basis whereby Additional Voluntary Contributions by members are invested in the Defined Contributions scheme of the fund. Accordingly, the assets held in this respect are pooled with the main fund assets and are not separately identifiable from these assets.
4. Deficit funding contributions are payable in respect of the funding shortfalls at different annual lump sum amounts for each employer over varying periods from 1 January 2009 up to a maximum of 15 years.

   Augmentation contributions by employers relate to payments of back dated service contributions £95k (2009 : £221k) (defined contributions scheme £4k (2009 : £50k) and defined benefits scheme £91k (2009 : £171k)) and to augment the benefits of retiring members of the defined benefits scheme £51k (2009 : £Nil) as well as top up payments to cover extra hours worked by defined contributions members £1k (2009 : £Nil).
5. This scheme has been approved by HM Revenue & Customs for the purposes of Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988 under their reference SF49/3207. Since April 2006, this scheme has been a registered pension scheme for the purpose of Part 4 of the Finance Act 2004.
6. Current assets - Debtors

	2010	2009
	£'000	**£'000**
Contributions - Employer	**1,071**	1,208
- Employee	**90**	34
Other	**-**	58
	1,161	1,300

7. Current liabilities - Creditors

	2010	2009
	£'000	**£'000**
Unpaid benefits	**233**	55
Other	**115**	1,087
	348	1,142

Church Administrators Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2010 £'000	2009 £'000
Contributions					
Members					
Normal		-	168	**168**	163
Additional voluntary	3	102	188	**290**	209
Employers					
Normal		720	1,965	**2,685**	3,535
Deficit funding	4	-	1,363	**1,363**	459
Augmentation	4	-	348	**348**	305
Transfers in - normal		45	-	**45**	177
Transfers in - AVC policies		-	212	**212**	-
		867	4,244	**5,111**	4,848
Benefits and other outgoings					
Pensions		-	(1,364)	**(1,364)**	(1,250)
Lump sums					
Retirement		(1)	(785)	**(786)**	(347)
Death		-	(100)	**(100)**	(68)
Early Leavers		-	(4)	**(4)**	(2)
Transfers out		(4)	(218)	**(222)**	(120)
Administration expenses	A	-	(245)	**(245)**	(345)
		(5)	(2,716)	**(2,721)**	(2,132)
Net additions from dealing with members		862	1,528	**2,390**	2,716
Return on Investments					
Bank deposit interest		-	1	**1**	5
Appreciation of units in CEIFP	2	-	6,815	**6,815**	7,832
Change in value of units in DC Scheme		273	-	**273**	**228**
Change in value of AVC policies		-	25	**25**	-
Net return on investments		273	6,841	**7,114**	8,065
Net increase in fund during the year		1,135	8,369	**9,504**	10,781
Net assets at the start of the year		1,485	54,998	**56,483**	45,702
Net assets at the end of the year		2,620	63,367	**65,987**	56,483

NET ASSETS STATEMENT AS AT 31 DECEMBER 2010

Investments					
Value of units - In CEIFP	1	-	62,164	**62,164**	55,094
Invested with Legal and General		2,647	-	**2,647**	1,532
AVC policies	3	-	245	**245**	-
Investment assets		2,647	62,409	**65,056**	56,626
Current assets - Debtors		-	160	**160**	536
Cash		(27)	1,010	**983**	85
Current liabilities - Creditors		-	(212)	**(212)**	(764)
Net assets at the end of the year		2,620	63,367	**65,987**	56,483

The notes on pages 70 to 71 and 75 to 77 form part of these Accounts
See note 1 on page 75 for the link to the actuarial position

Church Administrators Pension Fund

NOTES:

A. Administration expenses of the Church of England Pensions Board are charged as shown on page 87 and referred to in note 4 on page 89.

1. The assets of the defined benefits scheme of the fund are invested in The Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of the investments of pension schemes administered by the Board. The proportion of the CEIFP attributable to the fund at 31 December 2010 was 5.67% (2009 : 5.83%).

2. Appreciation and depreciation in the value of units in the CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised investment gains or losses and investment management expenses.

3. Additional Voluntary Contributions by members of the defined contributions scheme and the employer contributions under this scheme are separately invested with the Legal and General Assurance Society Limited. Additional Voluntary Contributions by members of the defined benefits scheme consist of contributions paid for the purchase of added years £180k (2009 : £144K) and contributions of £8K (2009 : £Nil) paid by certain members into separate AVC policies with Equitable Life Assurance Society, Scottish Widows plc and Standard Life Assurance Limited. Contributions for added years are pooled with the main fund assets and are not separately identifiable from those assets. The separately pooled AVC policies, a legacy of the pension arrangements of the former Church Commissioners Superannuation Scheme, have been brought into the scheme accounts with effect from 1 January 2010.

	Value at 01-Jan-10	Purchases at cost	Sales proceeds	Change in market value	Value at 31-Dec-10
	£'000	£'000	£'000	£'000	£'000
Standard Life	-	135	-	17	**152**
Scottish Widows	-	66	-	5	**71**
Equitable Life	-	19	-	3	**22**
	-	220	-	25	**245**

4. Until 30 June 2010 deficit funding contributions were payable at a total amount of £288k p.a. increasing at 4.9% p.a. With effect from 1 July 2010 these contributions are payable by all employers at a total amount of £2,050k p.a., increasing annually at 5% p.a. until 30 June 2025. Further contributions are payable by the Archbishops Council at the rate of £184k p.a., increasing in line with the Retail Price Index until 31 December 2016, in respect of benefits accrued before 1 January 2000. These contributions will be reviewed following future actuarial valuations.

   Augmentation contributions by employers relate to payments to augment the benefits of retiring members.

5. This scheme has been approved by HM Revenue & Customs for the purposes of Chapter 1 Part XIV of the Income and Corporation Taxes 1988 under SF49/259. Since April 2006, this scheme has been a registered pension scheme for the purpose of Part 4 of the Finance Act 2004.

6. Current assets - Debtors	2010	2009
	£'000	£'000
Contributions - Employer	**92**	528
Other	**68**	8
	160	536

7. Current liabilities - Creditors	2010	2009
	£'000	£'000
Unpaid benefits	**209**	219
Other	**3**	545
	212	764

8. In addition to the pension benefits disclosed above, the following benefits were paid by the Church Commissioners in respect of service prior to 1 January 2000

	2010	2009
	£'000	**£'000**
Pensions	**4,736**	5,117
Lump sums on retirement	**361**	429
	5,097	5,546

9. All of the assets (2009 – all) of the Defined Contribution scheme are allocated to members.

The Church of England Investment Fund for Pensions

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
Net receipts from member schemes		**45,646**	64,514
Return on investments			
Index-linked interest receivable		**1,234**	1,471
Dividends receivable		**19,747**	20,161
Income from managed funds		**2,035**	1,749
Interest on cash deposits		**768**	797
Underwriting commission		**-**	-
		23,784	24,178
Changes in market value of investments		**91,820**	117,334
Investment managers' fees		**(2,260)**	(1,748)
		113,344	139,764
NET INCREASE IN THE FUND		**158,990**	204,278
INVESTMENT FUND 1 JANUARY		**937,193**	732,915
INVESTMENT FUND 31 DECEMBER		**1,096,183**	937,193
Represented by:			
INVESTMENTS			
Investment assets	2	**1,098,231**	926,664
Investment liabilities	2	**(1,426)**	-
		1,096,805	926,664
CURRENT ASSETS			
Current assets - Debtors		**107**	3,337
- Cash		**345**	10,173
Current liabilities – Creditors		**(1,074)**	(2,981)
TOTAL NET ASSETS	3	**1,096,183**	937,193

The notes on pages 73 to 77 form part of these Accounts

Signed on behalf of the Board

Jonathan Spencer
Chairman

Rt. Revd David Walker
Vice Chairman

Bernadette Kenny
Secretary & Chief Executive

27 June 2011

The Church of England Investment Fund for Pensions

NOTES:

1. The fund was established to allow the pooling of investments of pension schemes administered by the Board.

2. Investments

	Value at 01 Jan 10 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in Market Value £'000	Value at 31 Dec 10 £'000
Fixed interest - UK non-government	785	-	(847)	62	**-**
Fixed interest - UK government	-	6,560	(6,616)	56	**-**
Overseas public sector fixed interest	1,856	-	(1,896)	40	**-**
UK equities (quoted)	449,576	75,138	(131,263)	48,855	**442,306**
Overseas equities (quoted)	235,712	174,597	(109,128)	27,837	**329,018**
Index-linked securities - UK public sector	74,187	124,666	(109,561)	7,614	**96,906**
Index-linked securities - UK non-government	1,097	-	(701)	77	**473**
Index-linked - Overseas public sector	847	-	(862)	15	**-**
Index-linked - Overseas non-government	387	-	-	29	**416**
Pooled investment vehicles					
Property unit trusts	27,164	36,614	(8,775)	3,472	**58,475**
Managed currency fund	11,040	81	(1)	736	**11,856**
Managed corporate bond fund	75,119	-	(47)	5,996	**81,068**
UK unit trusts (unquoted)	4	160	(162)	-	**2**
Derivatives					
Forward foreign currency contracts (see note below)	13	9,714	(6,908)	(3,918)	**(1,099)**
	877,787	**427,530**	**(376,767)**	**90,871**	**1,019,421**
Cash deposits	48,877			949	**74,314**
Outstanding trades	-			-	**(41)**
Accrued investment income	-			-	**3,111**
	926,664			91,820	**1,096,805**

Derivatives	Assets at 31 Dec10 £'000	Liabilities at 31 Dec 10 £'000	Assets at 31 Dec 09 £'000	Liabilities at 31 Dec 09 £'000
Forward foreign currency contracts	327	(1,426)	13	-
Net derivatives	327	(1,426)	13	-

Forward foreign currency contracts

Duration	Currency Bought	Currency Sold	Value of Currency Sold £'000	Value of Currency Bought £'000	Assets at 31 Dec 10 £'000	Liabilities at 31 Dec 10 £'000
3-4 months	GBP	EUR	29,606	(29,286)	327	(7)
3-4 months	GBP	JPY	17,753	(18,407)	-	(654)
3-4 months	GBP	USD	68,883	(69,648)	-	(765)
			116,242	(117,341)	327	(1,426)

The Church of England Investment Fund for Pensions

NOTES:

3. Participation in the fund 2010

	RETURN SEEKING POOL		LIABILITY MATCHING POOL		TOTAL
	Units	£'000	Units	£'000	£'000
Church Workers Pension Fund					
Defined Benefits Scheme (note 4)	89,514,375	156,301	33,215,141	62,856	**219,157**
General Fund	*66,754,005*	*116,559*	-	-	***116,559***
Life Risk	*22,760,370*	*39,742*	*33,215,141*	*62,856*	***102,598***
Defined Contributions Scheme	27,221,127	47,531	11,186,855	21,170	**68,701**
Total	116,735,502	203,832	44,401,996	84,026	**287,858**
Church Administrators Pension Fund	26,933,341	47,028	7,998,254	15,136	**62,164**
Clergy (Widows & Dependants) Pension Fund	74,242,912	12,963	2,876,490	5,444	**18,407**
The Church of England Funded Pensions Scheme	416,788,971	727,754	-	-	**727,754**
	634,700,726	991,577	55,276,740	104,606	**1,096,183**

4. The defined benefit scheme of the Church Workers Pension Fund is split between the general fund and the life risk as these two portions of the fund have different investment strategies.

5. Transaction costs are included in the cost of purchase and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees which total £815k (2009 : £525k). In addition to the transaction costs, indirect costs are incurred through the bid-offer spread on investment within pooled investment vehicles.

6. The managed and unitised funds are managed by companies registered in the UK.

Notes to the financial statements of the Investment and Pension Funds

1. Basis of Preparation of Financial Statements

The individual pension schemes that comprise the 'Pension Funds' are as follows:

The Church of England Funded Pensions Scheme

The Clergy (Widows and Dependants) Pensions Fund

The Church Workers Pension Fund

The Church Administrators Pension Fund

The financial statements of the Pension Funds have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007).

The financial statements of the Pension Funds summarise the transactions of the schemes and deal with the net assets at the disposal of the Board. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the scheme year. The actuarial position, which does take account of such obligations, is dealt with in the statements by the actuary on pages 80 to 85 of the annual report and in the reports on the various activities of the Board within pages 43 to 58, and these financial statements should be read in conjunction with them. No actuarial valuation is required for the Clergy (Widows and Dependants) Pension Fund.

2. Statement of Accounting Policies

The principal accounting policies, which have been consistently applied, are set out below.

2.1 Investments

The individual pension funds are wholly invested in the Church of England Investment Fund for Pensions, except for the Clergy (Widows and Dependants) Pension Fund, which also has its own segregated investments in index linked bonds and the Church Administrators Pension Fund Defined Contributions scheme which is separately invested in Legal & General managed funds.

(a) Valuation

The investments owned by funds administered by the Board are:

(i) securities listed on UK or other internationally recognised stock exchanges;

(ii) unlisted securities consisting of holdings of property unit trusts.

The listed investments and unit trusts are valued at their closing bid price at 31 December and, where appropriate, foreign currencies are translated into sterling at the rates of exchange on that date.

Unlisted securities are included at the Investment Manager's valuation.

Pooled investment vehicles are valued at the closing bid price if both bid and offer prices are published, or, if single priced, at the closing single price.

Derivative contracts are valued at fair value. The fair value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. The amounts included in change in market value are the realised gains and losses on closed forward currency contracts and the unrealised gains and losses on open forward currency contracts.

(b) Investment income

Income from equities and any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest.

Notes to the financial statements of the Investment and Pension Funds

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

Income from fixed interest, index-linked securities, cash and short term deposits is accounted for on an accruals basis.

(c) Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in the market value of investments.

(d) Expenses

Investment management expenses are accounted for on an accruals basis.

2.2 Pension Funds

(a) Contributions

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis in the month the employee contributions are deducted from payroll.

Employers' augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, when received.

Additional voluntary contributions from members are accounted for, on an accruals basis, in the month deducted from payroll.

Employers' deficit funding contributions are accounted for in accordance with the agreement under which they are being paid, or in the absence of an agreement, on a receipts basis.

(b) Benefits

Where members can choose whether to take their benefits as a full pension or a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the pension funds, as appropriate.

(c) Transfers to and from other pension schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension schemes of new employers for members who have left the Pension Funds. They are accounted for on a cash basis, or where the Board agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

3. Employer Related Investments

Other than the late contributions summarised on the Summary of Contributions, there were no other employer related investments.

4. Related Party Transactions

Certain Board members who have retired from service under the Pension Funds are in a receipt of a pension on normal terms.

Other than the above and disclosed elsewhere in these Financial Statements, the Board is not aware of any transactions with related parties that require disclosure in these Financial Statements under Financial Reporting Standard 8 "Related Party Transactions".

Independent auditors' statement about contributions to the Church of England Pensions Board

We have examined the summary of contributions to the Church of England Pensions Board (the "Board") for the year ended 31 December 2010 which is set out on page 79.

Respective responsibilities of the Board and the auditors

As explained more fully in the Statement of the Board's Responsibilities, the Board is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions and for monitoring whether contributions are made to the schemes by the employer in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the Board as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of work on the statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the schemes under the schedules of contributions and the timing of those payments.

Statement about contributions

In our opinion:

- the contributions required by the schedules of contributions for the Church of England Funded Pensions Scheme for the year ended 31 December 2010 as reported in the summary of contributions have in all material respects been paid in accordance with the schedules of contributions certified by the scheme actuary on 31 March 2008 and 6 May 2010.
- the contributions required by the schedules of contributions for the Church Administrators Pension Fund for the year ended 31 December 2010 as reported in the summary of contributions have in all material respects been paid in accordance with the schedules of contributions certified by the scheme actuary on 31 March 2008 and 26 March 2010.
- the contributions required by the schedules of contributions for the Church Workers Pension Fund for the year ended 31 December 2010 as reported in the summary of contributions have in all material respects been paid in accordance with the schedules of contributions certified by the scheme actuary on 30 March 2009 and 30 December 2010.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 June 2011

Church of England Pensions Board

Summary of Contributions payable in the year ended 31 December 2010

During the year, the contributions payable to the schemes by the Members and the Employers were as follows:

	Members £'000	Employers £'000
The Church of England Funded Pensions Scheme		
Required by the schedule of contributions		
Normal contributions	-	61,653
Deficit contributions	-	18,765
Total	**-**	**80,418**
Other Contributions Payable		
AVCs	1,131	-
Augmentations of individual members' benefits	-	245
Total (as per Fund Account)	**1,131**	**80,663**

	Members £'000	Employers £'000
Church Administrators Pension Fund		
Required by the schedule of contributions		
Normal contributions – DB	168	1,965
Normal contributions – DC	-	720
Deficit contributions	-	1,363
Total	**168**	**4,048**
Other contributions payable		
AVCs – DB	188	-
AVCs – DC	102	-
Augmentations of individual members' benefits	-	348
Total (as per Fund Account)	**458**	**4,396**

	Members £'000	Employers £'000
Church Workers Pension Fund		
Required by the schedule of contributions		
Normal contributions – DB	352	8,151
Normal contributions – DC	404	2,376
Deficit contributions	-	3,701
Total	**756**	**14,228**
Other contributions payable		
AVCs	544	-
Augmentations of individual members' benefits	-	147
Total (as per Fund Account)	**1,300**	**14,375**

Signed on behalf of the Trustees:

Jonathan Spencer
Chairman
27 June 2011

Bernadette Kenny
Secretary and Chief Executive

Lane Clark & Peacock
Actuaries & Consultants

Appendix 9

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme **Church of England Funded Pension Scheme**

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at effective date of valuation on which the calculation is based is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the scheme and set out in the statement of funding principles dated 30 December 2010.

Signature: ..... **Date:** 30/12/2010

Name: Aaron Punwani **Qualification:** FIA

Address: **Lane Clark & Peacock LLP**
30 Old Burlington Street
London W1S 3NN

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Lane Clark & Peacock LLP is a limited liability partnership registered in England and Wales with registered number OC301436. LCP is a registered trademark in the UK (Regd. TM No 2315442) and in the EU (Regd. TM No 002935583).
All partners are members of Lane Clark & Peacock LLP. A list of members' names is available for inspection at 30 Old Burlington Street, London, W1S 3NN, the firm's principal place of business and registered office.
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Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme Church of England Funded Pensions Scheme

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2009 to be met by the end of the period specified in the recovery plan dated 30 December 2010.

Adherence to statement of funding principles

1. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 30 December 2010.

   The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature: ..... **Date:** 30/12/2010

Name: Aaron Punwani **Qualification:** FIA

Address: 30 Old Burlington Street, London W1S 3NN **Name of employer:** Lane Clark & Peacock LLP **(if applicable)**

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 30/12/2010 and their Recovery Plan dated 30/12/2010 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

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Page 4 of 4

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions.

Lane Clark & Peacock
Actuaries & Consultants

Appendix 8

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2007

Name of scheme Church Workers Pension Fund

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31st December 2007 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Board of the Fund and set out in the Statement of Funding Principles dated 30th March 2009.

Signature: ..... **Date:** 30th March 2009

Name: Martin Slack **Qualification:** FIA

Address: **Lane Clark & Peacock LLP**
30 Old Burlington Street
London W1S 3NN

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Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme Church Workers Pension Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that:

   the statutory funding objective could have been expected on 31st December 2007 to be met by the end of the period specified in the recovery plan dated 30th March 2009.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 30th March 2009.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature: ..... **Date:** 30/12/2010

Name: Aaron Punwani **Qualification:** FIA

Address: 30 Old Burlington Street, London, W1S 3NN **Name of employer:** Lane Clark & Peacock LLP

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustee's funding assumptions as set out in its statement of funding principles dated 30th March 2009 and its Recovery Plan dated 30th March 2009 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in this Schedule of Contributions and the previous Schedule of Contributions dated 30th March 2009, and the changes to the benefit structures since.

Lane Clark & Peacock
Actuaries & Consultants

Appendix 11

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of Fund **Church Administrators Pension Fund**

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Fund's technical provisions as at 31st December 2008 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the Fund and set out in the statement of funding principles dated 26th March 2010 .

Signature: ..... **Date:** 26th March 2010

Name: Martin Slack **Qualification:** FIA

Address: **Lane Clark & Peacock LLP**
30 Old Burlington Street
London W1S 3NN

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Lane Clark & Peacock
Actuaries & Consultants

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme Church Administrators Pension Fund ("the Fund")

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the Recovery Plan dated 26th March 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 26th March 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Signature: .....**Date:** 26th March 2010

Name: M R Slack.....**Qualification:** FIA

Address: 30 Old Burlington Street.....**Name of employer:** Lane Clark & Peacock LLP
London
W1S 3NN.....

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "can be expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustee's funding assumptions as set out in their Statement of Funding Principles dated 26th March 2010 and their Recovery Plan dated 26th March 2010 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

MRSL/976316/KES

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Appendix 2 - List of the Return-Seeking Asset Pool's Largest Holdings

		Market Value 31.12.10 £m	% of Return-Seeking Asset Pool
1	Legal & General £ AAA-AA-A non-Gilt Fund	81.3	8.2%
2	Northern Trust Global Money Market Fund	73.1	7.3%
3	Royal Dutch Shell	32.9	3.3%
4	BP	25.0	2.5%
5	BHP Billiton	24.9	2.5%
6	HSBC	24.7	2.5%
7	Vodafone	20.3	2.0%
8	GlaxoSmithKline	18.7	1.9%
9	Rio Tinto	17.1	1.7%
10	AstraZeneca	14.7	1.5%
11	BG	13.9	1.4%
12	Auriel Capital ACF2X Fund (GBP Class)	11.8	1.2%
13	Anglo American	10.1	1.0%
14	ING Lionbrook Property (Guernsey) Fund	9.4	0.9%
15	Reckitt Benckiser	9.4	0.9%
16	Barclays	9.3	0.9%
17	Standard Chartered	9.0	0.9%
18	Xstrata	8.8	0.9%
19	Unilever	8.4	0.8%
20	Apple	8.0	0.8%

Appendix 3 :Church of England Pensions Board Administration Expenses

EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010	2009
Directly incurred by the Board		**£'000**	**£'000**
Salaries and employers national insurance		**2,991**	2,774
Audit and accountancy fees	5	**207**	200
Actuarial fees		**323**	285
Legal charges	6	**556**	345
Pension levy		**311**	253
Office furniture, equipment and software	3	**206**	501
Other office expenses		**380**	304
		4,974	4,662
Internal Audit costs recharged to other National Church Institutions		**(325)**	(275)
		4,649	4,387
Other costs - restructuring and refinancing	7	**1,080**	-
		5,729	4,887
Shared service costs recharged by other National Church Institutions			
Clergy pay department		**73**	80
Investment department		**55**	58
Finance and resources department		**592**	645
Other departments		**608**	687
		1,328	1,470
Rent and service charges from the Corporation of Church House		**305**	363
TOTAL COSTS FOR THE YEAR		**7,362**	6,220
COSTS RECHARGED AS BELOW :-			
TO OTHER ORGANISATIONS		**98**	-
TO OTHER NATIONAL CHURCH INSTITUTIONS			
Retirement housing	A	**1,207**	1,198
OWL	A	**-**	25
Restructuring		**134**	-
Other costs		**61**	-
		1,402	1,223
WITHIN THE PENSIONS BOARD			
PENSION FUNDS			
Church of England Funded Pensions Scheme	B	**2,185**	1,871
Church Workers Pension Fund – defined benefits scheme	B	**501**	510
defined contributions scheme	B	**383**	391
Church Administrators Pension Fund - defined benefits scheme	B	**218**	344
- defined contributions scheme	B	**32**	-
		3,319	3,116
CHARITABLE FUNDS			
Residential and nursing homes	A	**628**	1,029
Mortgage/Shared ownership scheme costs	A	**463**	749
Restructuring and refinancing costs	A	**886**	-
Housing	A	**456**	-
Charitable funds - fundraising	A	**110**	93
other	A	**-**	10
		2,543	1,881
TOTAL RECHARGED FOR YEAR		**7,362**	**6,220**

Church of England Pensions Board Administration Expenses

NOTES:

A. The following costs recharged are shown in the Charitable Funds and Trusts:

Archbishops' Council – Retirement housing	page 36, note 5 (e)
Church Commissioners – OWL	page 36, note 5 (e)
Residential and nursing homes	page 37, note 6 (b)
Charitable funds – fundraising	page 29
Charitable funds - other	page 29

B. The following costs recharged are shown within the respective Fund account;

Church of England Funded Pensions Scheme	page 62
Church Workers Pension Fund – defined benefits scheme	page 67
defined contributions scheme	page 67
Church Administrators Pension Fund - defined benefits scheme	page 69
- defined contributions scheme	page 69

1. Staff numbers

The average number of staff at the Board's offices in Westminster was 65 (2009: 61). The numbers of staff whose emoluments, excluding pension contributions, for the year exceeded £60,000 were:

	2010 Number	2009 Number
£60,000-£70,000	2	2
£80,000-£90,000	1	1
£130,000-£140,000	-	1
£140,000-£150,000	1	-

The above numbers exclude staff whose emoluments exceeded £60,000 as a result of redundancy through restructuring.

Members of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to December 2010, 20 members claimed a total of £10,387 (2009 £8,299).

The Board shares the costs of the shared service departments managed by the Archbishops' Council (AC), the Church Commissioners (CC) and the Board (PB) on behalf of the NCIs. Those departments provide finance and resources (CC), internal audit (PB), communications (AC), information technology (CC), human resources (AC), legal (AC), records (CC) and office services (CC) to the NCIs. The average number employed was 126 (2009: 132).

2. Staff Pensions

The Board's administration staff were entitled to pensions based on final salary. For service from January 2000 these benefits are provided through membership of the Church Administrators Pension Fund. For service prior to that date the benefits are a charge on the Church Commissioners. The defined benefits section of the fund was closed to new members, and a new defined contribution section introduced, with effect from 1 July 2006. The actuary has advised that as the fund is a pooled fund covering all staff of the National Church Institutions it is not possible to identify the Board's share of the underlying assets and liabilities of the fund. Consequently the entire arrangement should be treated as a defined contributions scheme for the purposes of the pensions reporting standard FRS 17. In the year contributions of £350k (2009 £316k) were paid to the fund, which includes a share of payments under the recovery plan agreed between the employers and the Trustees to remove the shortfall in the Fund over 15 years. Contributions of £93k (2009 £69k) were paid to the defined contribution section of the fund. Fuller details of the fund, together with a statement from the actuary, are given on pages 69 to 71, and pages 84 to 85 of this report.

3. Office furniture, equipment and software

This includes costs of the pensions administration software. In 2009 there were residual SAP implementation costs charged to expenses in the year incurred, and the depreciation on the capitalised costs arising from the implementation of SAP. In 2010 the capitalised SAP asset was transferred to the Charitable Funds (see page 38 note 8).

4. Basis of calculation of recharges

The administration costs of the Board have been recharged as follows:-

a) Staff costs. Each staff member's time is costed on the basis of time spent on areas of activity and charged accordingly;

b) Other costs. These are charged either directly to the activity to which they relate or on a pro rata basis based on salary costings.

5. Audit Fees

The fee, including VAT, for audit services for the year was £120k (2009 : £115k) and, in addition, there was an under provision and additional fees relating to previous years of £66k (2009 : £53k). Fees for other services paid to the auditors during the year amounted to £20k (2009: £32k).

6. Legal Charges

These costs have increased due to increased activity in investment services, consultancy fees arising from refinancing of CHARM and a review of Internal Audit.

7. Other costs

	2010 £'000	2009 £'000
Restructuring costs - recharged to Charitable Funds (page 39, note 9)	**495**	-
Restructuring costs - recharged within the Pensions Board	**60**	-
Restructuring costs - recharged to other National Church Institutions	**134**	-
Refinancing costs - recharged to Charitable Funds (page 39, note 9)	**391**	-
	1,080	-

Appendix 4 – Board Policies

Ethical Investment Policy of the National Church Institutions

Ethical investment considerations form an integral part of the Church of England's witness and mission. Through its ethical investment policy, the Church of England seeks a constructive engagement with the corporate world in order that responsible business practices and high standards of corporate behaviour are encouraged and supported. The Church of England is also mindful of the need to avoid undermining the credibility, effectiveness and unity of the Church's witness by profiting from, or providing capital to, activities that are materially inconsistent with Christian values.

The Ethical Investment Advisory Group (EIAG) of the Church of England carries out ethical investment research on behalf of the three national investment bodies of the Church of England: the Church Commissioners for England, the CBF Church of England Funds, and the Church of England Pensions Board ("the national Church investment bodies"). It develops policy recommendations, which once agreed by the national Church investment bodies, are then communicated to the wider Church. The General Synod, the Archbishops' Council and the Mission and Public Affairs Council are also represented on the EIAG to provide counsel and wider expertise. The legal authority for investment decisions rests solely with the national Church investment bodies, as well as individual parishes, cathedrals, dioceses and other associated Church of England organisations.

The national Church investment bodies are supportive of companies that seek to develop their businesses successfully and sustainably in the interests of shareholders. The use of positive ethical criteria in assessing companies is firmly incorporated within the ethical investment policy through a process of constructive engagement with business. Criteria have been identified across five broad areas as:

- responsible employment practices
- best corporate governance practice
- conscientiousness with regard to human rights
- sustainable environmental practice
- sensitivity towards the communities in which business operates

Companies are monitored according to this Statement of Ethical Investment Policy and, where appropriate, by developing an ongoing dialogue and engagement with them. The national Church investment bodies believe this to be the best means of exercising responsible stewardship and shareholder responsibility and of communicating Church concerns. Disinvestment, if recommended, remains the preserve of each national Church investment body, and is only considered if a company's activities fall outside of the Church's ethical investment policy or if,
after sustained dialogue, it does not respond positively to the Church's concerns.

Companies that promote pornography or supply armaments are avoided. Separate media and defence investment policies have been published outlining the criteria employed to determine whether companies breach the Church's policy in these areas.

Investment is also avoided in any company a major part of whose business activity or focus is in the following areas, where this is usually defined as exceeding 25% of Group turnover;

- Gambling
- Tobacco and tobacco related products
- Alcoholic beverages (manufacture and licensed sale)
- Non-offensive military equipment
- Weekly-collected home credit (doorstep lending)
- Human embryonic cloning

The national Church investment bodies also reserve the right to avoid investment in companies whose management practices they judge to be unacceptable. Given the complexity of many companies, some will have business interests in areas the national Church investment bodies seek to avoid, and these are closely monitored to ensure they meet the Church's broader criteria. Advice may be offered in respect of all classes of asset under management including domestic and international securities, land and real estate.

Environmental policy of the National Church Institutions

The whole of creation belongs to God. As human beings we are part of the whole and have a responsibility to love and care for what God has entrusted to us as temporary tenants of the planet. We are called to conserve its complex and fragile ecology, while recognising the need for responsible and sustainable development and the pursuit of social justice.

Therefore we, the National Church Institutions, with our wide-ranging involvement in issues that have an environmental and ethical dimension, accept an obligation to set an example in the way we conduct our business.

We commit ourselves to assessing the environmental impact of all our activities and to considering, within our trusteeship obligations, ways in which to minimise and mitigate any environmental damage they may cause.

Health and Safety

Together with the other National Church Institutions with whom we are a common employer, we have duties under the Health and Safety at Work Act 1974 and associated legislation to protect the wellbeing of our staff and others affected by our work.

We are committed to achieving high standards of occupational health and safety management both to meet the legal requirements and in the interests of our organisations. People are vital to the organisation and the effective management of occupational health and safety leading to fewer accidents and less sickness absence is an investment, which helps us achieve our purpose.

We consider that occupational health and safety are a management responsibility of equal importance to productivity and quality and fully accept our moral and legal duties to provide a healthy and safe working environment for all our staff.

Equal Opportunities

The National Church Institutions are committed to being an equal opportunities employer and ensuring that all employees, job applicants, customers and other persons with whom we deal are treated fairly and are not subjected to discrimination. We acknowledge that our employees form one community, using their diverse cultures and talents to serve the objectives and purposes of the Church of England.

The values of our organisations are rooted in those of the Church of England and of Christianity more generally. In serving the Church, we seek to preserve a Christian ethos within our organisations without, save for certain posts, requiring that individual members of staff have a particular religious affiliation. We are committed to respecting the dignity and worth of each individual and fostering a climate of tolerance and diversity. These are an integral part of our Christian ethos.

Against that background, our policy is designed to ensure that current and potential employees are offered the same opportunities regardless of their ethnic background, creed or religion (except where it is necessary for us to employ people who are Christian/Anglican or who are in Holy Orders), nationality, ethnic origin, age, gender, sexual orientation, marital status, domestic circumstances, disability or any other characteristic unrelated to the performance of the job. We seek to ensure that no one suffers as a result of discrimination, either directly or indirectly.

We recognise that an effective equal opportunities policy will help all staff to develop to their full potential, which is clearly in the best interests of both our staff and our organisational objectives. We want to ensure that we not only observe the relevant legislation but also do whatever is necessary to provide genuine equality of opportunity. We will continue to provide training to all staff in respect of equal opportunities, racial awareness and diversity.

We expect all of our employees to be treated and to treat others with respect. Our aim is to provide a working environment free from harassment, intimidation, or discrimination in any form which may affect the dignity of the individual.

We further recognise the benefits of employing individuals from a range of backgrounds as this creates a workforce where creativity and valuing difference in others thrives. We value the wealth of experience within the community in which we operate and which we serve and aspire to have a workforce that reflects this.

Appendix 5 – The Church of England Pensions Board Members, Senior Staff and Advisers

Members

1 January 2010 to 27 June 2011

The Constitution of the Board is laid down in Section 21(3) of the Clergy Pensions Measure 1961 as amended by Section 8 of the Pensions Measure 1987.

Board Members

Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York

Dr Jonathan Spencer CB (Chairman)

Appointed by the Archbishops of Canterbury and York

Phil Hamlyn Williams FCA

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of dioceses

Canon David Froude ACIB

Appointed by the Church Commissioners

Peter Parker TD FIA

Elected by Employers participating in the Church Workers Pension Fund or the Church Administrators Pension Fund

Clive Hawkins (Deputy Vice Chairman from 21 February 2011)
Canon Sandra Newton

Elected by Members of the Church Administrators Pension Fund

John Ferguson

Elected by Members of the Church Workers Pension Fund

Ian Clark
Colin Peters

Elected by the House of Bishops of the General Synod

The Rt Revd David Walker, Bishop of Dudley (Deputy Vice Chairman from 18 February 2010 to 21 February 2011, Vice Chairman from 21 February 2011)

Appendix 5 – The Church of England Pensions Board Members, Senior Staff and Advisers

Elected by the House of Clergy of the General Synod

The Ven Peter Ballard (to 24 June 2010)
The Revd Paul Benfield (from 15 February 2011)
The Revd Richard Billinghurst FIA
The Revd Paul Boughton ACA
The Revd Nigel Bourne

Elected by the House of Laity of the General Synod

James Archer ACA

Simon Baynes

Dr Graham Campbell FCA

Alan Fletcher FCII

Canon Harry Marsh

Tim Hind FCII (to 31 December 2010) (Vice Chairman from 18 February to 31 December 2010)

Brian Wilson FIA (from 9 March 2011)

Secretary and Chief Executive

Shaun Farrell OBE FCMI (to 31 March 2011)
Bernadette Kenny (from 3 May 2011)

Senior Staff

Paul Burrage (Accounting Services)
Michael Cole (Risk Management and Internal Audit)
Lee Marshall (Central Secretariat)
Loraine Miller (Housing Manager)
Ian Theodoreson (Chief Financial Officer, NCIs)
Tony Williams FPMI (Pensions Manager)

Audit Committee

Phil Hamlyn Williams FCA (Chairman)
James Archer ACA (from 1 January 2011)
The Revd Richard Billinghurst FIA
Dr Graham Campbell FCA (to 31 December 2010)
Canon David Froude ACIB (speaking observer)
David Hunt FCA (co-opted from 1 January 2011)
Canon Harry Marsh

Housing Committee

The Rt Revd David Walker (Chairman)
Ian Bate (co-opted from 19 April 2010)
The Revd Nigel Bourne
Jane Clarke (co-opted)
John Ferguson (from 14 September 2010)
Alan Fletcher FCII
Jon Head (co-opted from 19 April 2010)
Phil Hamlyn Williams FCA
Canon Sandra Newton (from 14 September 2010)

Investment Committee

Clive Hawkins (Chairman)
Simon Baynes (from 14 September 2010)
The Revd Paul Boughton ACA (from 21 February 2011)
Ian Clark
Debbie Clarke (co-opted)
Alan Fletcher FCII (from 18 February 2010)
Peter Parker TD FIA
Colin Peters
Mark Powell (co-opted)

The Board's Chairman, Vice Chairman and Deputy Vice Chairman are ex-officio members of the Housing and Investment Committees.

Professional Advisers

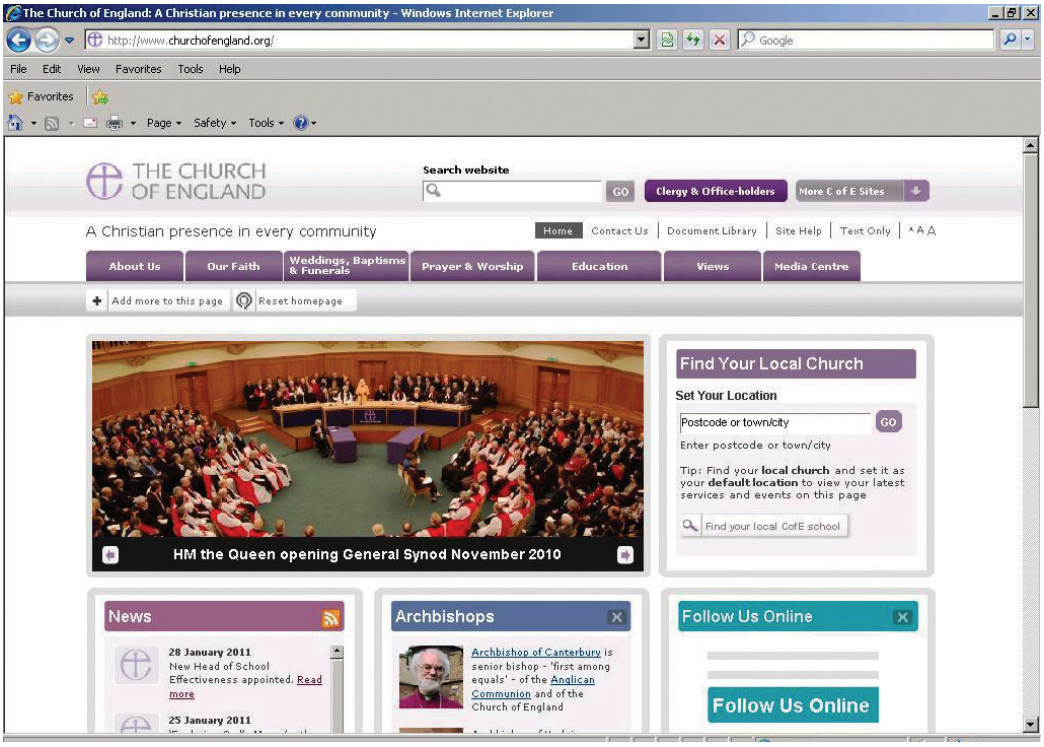
Actuaries	Lane Clark & Peacock LLP
Investment Advisers	Mercer Ltd
Corporate Finance Advisers	TradeRisks Ltd
Auditors	PricewaterhouseCoopers LLP
Bankers	Royal Bank of Scotland
Honorary Medical Adviser	Dr Trevor Hudson
Pensions Fund Investment Managers	Auriel Capital Management LLP
	CBREI (from 1 April 2010)
	DTZ Tie Leung (to 30 June 2010)
	GMO UK Limited
	Insight Investment Management (Global) Ltd
	Legal and General Assurance (Pensions Management) Limited
	RCM (UK) Ltd
Charitable Funds Investment Managers	CCLA Investment Management Ltd

Appendix 6 – Publications Available

Members' booklets and copies of the Scheme Rules for each of the pension funds, for which we are a trustee, are available on request.

Booklets and information about our retirement housing assistance, and a DVD highlighting the work of our supported housing schemes, are available on request.

Some are also available to download from our website –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New Head of School Effectiveness appointed. Read more
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Archbishops
Archbishop of Canterbury is senior bishop - 'first among equals' - of the Anglican Communion and of the Church of England
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